

MEETING
STATE OF CALIFORNIA
HORSE RACING BOARD

In the Matter of:)
)
Regular Meeting)
)

UNIVERSITY OF CALIFORNIA, DAVIS
GLADYS VALLEY HALL, ROOM 1010
DAVIS, CALIFORNIA

TUESDAY, NOVEMBER 18, 2008
9:30 A.M.

Reported by:
Troy A. Ray

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES

COMMISSIONERS

Richard B. Shapiro, Chairperson

John C. Harris, Vice Chairperson

John Andreini

Jesse H. Choper

Bo Derek

David Israel

Jerry Moss

STAFF

Kirk Breed, Executive Director

Robert Miller, Staff Counsel

Jacqueline Wagner

Mike Marten

ALSO PRESENT

Rick Arthur, Equine Medical Director

Sherwood "Chilly" Chillingsworth

Allen Gutterman

Ron Charles

George Haines

Ed Halpern

Scott Daruty

Drew Couto

Jack Liebau

APPEARANCES CONTINUED

ALSO PRESENT

Robert Hartman

Dave Elliott

Jim Perez

Steve Beneto

Norbert Bartosik

Doug Kemp

Tina Littleton

Rod Blonien

Christopher Korby

John Pascoe

John Madigan

David Wilson

Martin Vidal

Isadore S. "Izzy" Sobkowski

Paul Bowlinger

Cliff Goodrich

Joe Barkett

Tom Bachman

Charles E. Dougherty

Gloria Haley

Bill Anton

APPEARANCES CONTINUED

ALSO PRESENT

Rick Pickering

John Hindman

Susan Branch

Richard Hamilton

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1 PROCEEDINGS

2 EXECUTIVE DIRECTOR BREED: Ladies and gentlemen,
3 will you please take your seats.

4 I guess there's not anymore seats.

5 Ladies and gentlemen, this meeting of the
6 California Horse Racing Board will come to order. Please
7 take your seats.

8 This is the Regular Meeting of the California
9 Horse Racing Board. It's held on Tuesday, November 18th,
10 2008, commencing at 9:30 a.m., at the University of
11 California, at Davis, Gladys Valley Hall, Room 1010, Davis,
12 California.

13 Present at today's meeting are Chairman Richard
14 Shapiro, Vice Chairman John Harris, Commissioner John
15 Andreini, Commissioner Jesse Choper, Commissioner Bo Derek,
16 Commissioner David Israel, Commissioner Jerry Moss.

17 Before we go into the business of the meeting, I
18 need to make a few comments.

19 One, the Board invites public comment on the
20 matters appearing on the meeting agenda.

21 The Board will also invite comments from those
22 present today, on matters not appearing on the agenda,
23 during a public comment period, if the matter concerns horse
24 racing in California.

25 In order to ensure all individuals have an

1 opportunity to speak and the meeting proceeds in a timely
2 fashion, the Chair will strictly enforce the three-minute
3 time limit rule for each speaker.

4 The three-minute time limit will be enforced
5 during discussion of all matters stated on the agenda, as
6 well as during the public comment period.

7 There is a public comment sign-in sheet for each
8 agenda matter on which the Board invites comments.

9 These cards are located at the back of the room.
10 And where else?

11 MR. MARTEN: I have some and at the top here.

12 EXECUTIVE DIRECTOR BREED: Okay. Please print
13 your name legibly on the public comment sign-in sheet. When
14 a matter is open for public comment your name will be
15 called. Please come to the podium and introduce yourself by
16 stating your name and organization clearly.

17 This is necessary for the court reporter to have a
18 clear record of all who speak.

19 When your three minutes are up, the Chairman will
20 ask you to return to your seat so others can be heard.

21 When all the names have been called, the Chairman
22 will ask if there is anyone else who would like to speak on
23 the matter before the Board.

24 Also, the Board may ask questions of individuals
25 who speak.

1 If the speaker repeats himself or herself, the
2 Chairman will ask if the speaker has any new comments to
3 make. If there are none, the speaker will be asked to let
4 others make comments to the Board.

5 Mr. Chairman.

6 COMMISSION CHAIRPERSON SHAPIRO: Thank you. And
7 good morning to everybody.

8 I see we've got a full house and I appreciate the
9 interest.

10 Before we get started, however, I would
11 like --

12 COMMISSION VICE CHAIRPERSON HARRIS: We do have
13 some seats up front here. Is that going to be
14 the --

15 COMMISSION CHAIRPERSON SHAPIRO: Well, people will
16 be coming here and that's the only problem. There may be a
17 sporadic seat or so.

18 Before we get started, I'd like to just go back to
19 a month ago, about this time, and what a difference the
20 world has become and including racing.

21 And I did not want this meeting to go past without
22 acknowledging and recognizing what took place at the
23 Breeders' Cup.

24 First of all, for those that were there, it was a
25 tremendous day, two days, and I think that the industry

1 really showed itself well. We showed how vibrant horse
2 racing can be.

3 And I also want to compliment, I don't know where
4 Mr. Chillingsworth is? Chilly, would you stand up?

5 Ron Charles, if you will also, and your team from
6 Santa Anita?

7 These people did a heck of a job. Breeders' Cup
8 did an amazing job.

9 And, frankly, I think you deserve a round of
10 applause.

11 (Applause.)

12 COMMISSION CHAIRPERSON SHAPIRO: And as they
13 always say, you know, at the Olympics they say, well, it was
14 a really good games, or a spectacular games. As far as I'm
15 concerned it was the best of games. So really a tremendous
16 job.

17 And I also do not want to let it pass, and I'll
18 probably catch heck for this, but I also want to look at our
19 fellow Commissioner here, who truly had, in my opinion, the
20 most spectacular part of Breeders' Cup, with his beautiful,
21 wonderful filly Zeniota.

22 And I also want to thank him for racing her again
23 and sharing her with the fans in 2009. So congratulations
24 to the Moss's.

25 (Applause.)

1 MR. CHILLINGSWORTH: I'll say one word in
2 response.

3 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

4 MR. CHILLINGSWORTH: We had a great performance by
5 the employees in San Diego. Everybody who was there,
6 particularly the Europeans, thought they were treated
7 politely, there were no lines.

8 Unbeknownst to us, Breeders' Cup had a quality
9 control lady walking around, checking the lines for food,
10 mutuel, and we bumped into her. That wasn't I, the CFO of
11 Breeders' Cup, and he asked her, how do you rate them? I'd
12 give them A plus in every category.

13 It was an artistic success, we brought it in under
14 budget. And now we're waiting for --

15 COMMISSION CHAIRPERSON SHAPIRO: Well, again, it
16 was well deserved.

17 And I do know that the Santa Anita staff, I mean,
18 they just -- they did such an incredible job. And to Mr.
19 Charles, and all of your staff, thank you so much from all
20 of us in horse racing.

21 And if anybody from the Breeders' Cup is
22 listening, we thank you as well, and we do hope the ticket
23 prices will be a bit less next year.

24 (Laughter.)

25 COMMISSION CHAIRPERSON SHAPIRO: Okay. All right,

1 moving on.

2 The first item on the agenda is approval of the
3 Minutes of the Regular Meeting of October 15th, 2008.

4 Are there any comments, changes, additions from
5 any Member of the Board?

6 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, I have
7 one change and it is somewhat relevant.

8 On page 117 there's a statement that I said "there
9 was racing six to eight weeks from July 22nd through
10 September 29th."

11 What I think I said was that there were six-day-a-
12 week racing during that eight-day period. What I was trying
13 to say was that we had six-day-a-week racing, which may well
14 have been more than we could sustain in the long run. But,
15 anyway, it just needs to be corrected.

16 COMMISSION CHAIRPERSON SHAPIRO: All right, we'll
17 make that change.

18 If there are no other changes, can I have a motion
19 and a second, please?

20 COMMISSIONER CHOPER: So moved.

21 COMMISSION CHAIRPERSON SHAPIRO: Second?

22 COMMISSIONER ISRAEL: Second.

23 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

24 All in favor?

25 (Ayes.)

1 COMMISSION CHAIRPERSON SHAPIRO: They are
2 approved.

3 Item Number 2 on the agenda, approval of the
4 Minutes of the Regular Meeting of September 18th, 2008.

5 Any comments, changes?

6 If not, I'll take a motion, please.

7 COMMISSIONER ISRAEL: Moved.

8 COMMISSION CHAIRPERSON SHAPIRO: Second?

9 COMMISSIONER MOSS: Second.

10 COMMISSION CHAIRPERSON SHAPIRO: Second.

11 All in favor?

12 (Ayes.)

13 COMMISSION CHAIRPERSON SHAPIRO: Okay. The next
14 item on the agenda is a discussion and action by the Board
15 on the application to conduct a horse racing meeting of the
16 Los Angeles Turf Club at Santa Anita commencing December 26,
17 2008 through April 19, 2009.

18 Now, one thing that as we get into these licenses,
19 we have yet to allocate dates for the 2008-2009 year. So I
20 would suggest that we do this, but we're predicating it, of
21 course, on the dates that we end up allocating, hopefully
22 later in this meeting, are not changed.

23 So with that, I think we can move forward on this
24 agenda item.

25 Okay, are the representatives from the Los Angeles

1 Turf Club, if they'll come forward?

2 And while they're doing that, we have a very full
3 agenda. And for people that are here today, we are going to
4 be having some tours of the Performance Laboratory, and I
5 think Dr. Stover's laboratory. And we want people to take
6 advantage of why we're here.

7 And why we're here is to show the incredible
8 research that is done here, at UC Davis, and the Maddy
9 Laboratory.

10 So we really hope that -- we are going to take a
11 lunch break and there will be tours, and we hope that you'll
12 avail yourself of those tours.

13 Good morning.

14 MR. GUTTERMAN: Good morning.

15 COMMISSION CHAIRPERSON SHAPIRO: Okay, perhaps
16 what -- before the -- since you're here and before we get
17 into the questioning, why don't you just give us an overview
18 of what is planned for your race meeting.

19 I see that this year you're going to revert back
20 to your Wednesday through Sunday schedule, and a couple
21 other things.

22 Perhaps, I see that Mr. Gutterman is here, you
23 could give us an idea of what's planned for this race
24 meeting, and we'll start with that.

25 So please identify yourself for the court

1 reporter?

2 MR. GUTTERMAN: Okay. Allen Gutterman, Vice
3 President of Marketing, from Santa Anita Park.

4 And I just have some notes here about what we're
5 going to be doing in the way of marketing this upcoming
6 season.

7 I have to tell you that these are difficult times,
8 but it's always we're going to put on the best show
9 possible.

10 The first premise we operate under is making our
11 big days bigger, and that will be Opening Day, Sunshine
12 Millions Day, Big Cap Day, Santa Anita Derby Day, and
13 Closing Day.

14 This winter December 26th falls on a Friday, which
15 is an optimum day to open and, hopefully, carry momentum
16 into the first weekend and straight into the New Year.

17 We will begin our opening weekend ad campaign on
18 December 21, reminding television viewers, radio listeners,
19 and print readers that there is one present left to open the
20 day after Christmas, and that is Santa Anita Park.

21 On Opening Day we will provide everyone the
22 traditional Santa Anita calendar, packed with coupons good
23 for admission and parking, plus passes good for free or
24 reduced admission on any day the rest of the meet, and two
25 specifically for Sunshine Millions Day later in January.

1 For Sunshine Millions Day, we have secured a one-
2 hour live broadcast locally, from 2:00 to 3:00 p.m., on
3 Channel 9, in L.A. The show will be produced by HRTV staff
4 and will air in both L.A. and the Ft. Lauderdale/Miami area.

5 Additionally, on that day, all fans attending will
6 receive a Sunshine Millions portable am/fm radio to go along
7 with previous Sunshine Millions beach items that they've
8 received in the past.

9 And working our way through the calendar, we have
10 solid giveaways for Martin Luther King Day, President's Day,
11 Santa Anita Derby Day, and Big Cap Day.

12 In addition to premium giveaway items, our
13 intensive marketing program includes mailing mystery mutuel
14 vouchers, betting vouchers, family fun days in the infield,
15 senior days, handicapping contests, including the popular
16 buy-in battle of the handicapping stars.

17 St. Patrick's carnival days, fan appreciation
18 days, dollar days, bounce-back passes, car shows.

19 And for 2009, the return of thoroughbred's
20 rewards, which will provide really terrific, valuable prizes
21 for our best customers, the ones who play with us the most.

22 Our fans told us last year that they want a
23 rewards program back and we listened.

24 And for those playing at the very highest levels,
25 Santa Anita and the California Marketing Committee reward

1 our best on-track customers, who wagered at least \$20,000 a
2 month, with up to three percent bonus on their betting.

3 This year, too, we return to a Wednesday to Sunday
4 racing schedule, except on weeks with Monday holidays.

5 We're going to particularly aim to work on
6 building Fridays into a bigger day, as the start of the
7 weekend.

8 This would include free admission on Fridays,
9 every Friday, along with free box seats, as well as one-
10 dollar items, such as hot dogs, soft drinks, popcorn and
11 beer.

12 We'll also host drawings every Friday afternoon,
13 with prizes changes weekly.

14 We'll introduce a Friday handicapping contest,
15 with cash prizes and a shot at entry in the Million-Dollar
16 Daily Racing Forum Championship in Las Vegas.

17 Our ad campaign will boast that, from a value
18 standpoint, Fridays at Santa Anita is the best buy in town.

19 Friday and every day we will also institute a
20 dining special in the Club Terrace Dining Room, of buy one
21 entree and get the second at half price.

22 And in 2009, we will be launching a new state-of-
23 the-art Santa Anita website.

24 We'll also bring back our popular website, Game
25 Showvivor.

1 We're very proud that Santa Anita and Oak Tree
2 engineered the return of racing entries and charts, photos
3 and lively coverage to the Los Angeles Times, at a time when
4 they had basically disappeared forever.

5 Our staff, along with our media buyer, David
6 Bienstock, who is also a horse owner, worked closely with
7 the L.A. Times, and the Tribune Company, to find a solution
8 to their space and economic issues.

9 And because of this, racing in Southern California
10 is again a solid player on the L.A. Times sports pages.

11 Finally, we've got a very interesting new ad
12 campaign planned, and it invokes a subject that is near and
13 dear to all of us, when we remember how we got started in
14 this game.

15 Most of us came to the track for the first time
16 with someone who explained the intricacies of horse racing
17 and helped us figure out how to bet, how to win, and
18 eventually appreciate our wonderful sport. Mentoring, if
19 you will.

20 We will highlight that experience in our
21 commercials, with a father taking his son to the track, and
22 friends taking newcomers to the track for the first time.

23 We shoot November 24th. We hope they can kindle
24 new interest.

25 And to complement that ad campaign, we are in the

1 beginning stages of putting together a determined college
2 outreach program.

3 As the Chairman mentioned, Santa Anita Park
4 received universally great reviews for Oak Tree's 2008
5 Breeders' Cup.

6 You know, this is my own personal feelings here
7 about this. There's good old and there's bad old, and Santa
8 Anita is great old.

9 We're one year away from celebrating our 75
10 anniversary.

11 But for now, we're looking forward to getting
12 started on the 2008-2009 racing season and getting back into
13 action.

14 And no matter the circumstances in the rest of our
15 lives, no matter how difficult life can get, it's always
16 reassuring and life affirming, in Southern California, that
17 come December 26th the Great Race Place opens once more.

18 Thank you very much.

19 COMMISSION CHAIRPERSON SHAPIRO: Thank you. Thank
20 you.

21 If I can ask a couple of initial questions?

22 MR. CHARLES: That about summarized our entire
23 application. We're asking for approval right now.

24 MR. GUTTERMAN: We're leaving now.

25 COMMISSION CHAIRPERSON SHAPIRO: Thank you, Mr.

1 Charles. You always add such great insight. Thank you.

2 MR. CHARLES: That's all right.

3 COMMISSION CHAIRPERSON SHAPIRO: One of the things
4 that's concerning to me, and I think to all, because it's
5 clear that we know that we're in a difficult economic
6 environment, and we're seeing declines across the board, and
7 we all are recognizing that the economy -- we're not immune
8 to the economy.

9 But we're also seeing that, you know, our horse
10 population appears to be challenged, despite all the efforts
11 that we make, if we're looking at what the field sizes are.

12 And I just question whether or not in the past
13 we've maintained this 8.6 horses per race average per day?
14 And I'm wondering if we shouldn't be looking at -- when you
15 say that you may want to run ten races on weekends, and then
16 big, big days, which I understand, 11, and I understand that
17 you want to, on those big, big days, capitalize on it.

18 But shouldn't we, in fact, be looking not to -- to
19 card fewer races so that we can conserve our horse
20 population?

21 MR. CHARLES: Mr. Chairman, that's exactly what we
22 are doing. We've changed our starting time on Saturday and
23 Sunday to start at 12:30, due to basically the economics and
24 what's happening in racing.

25 So we're only going to be running eight races

1 during the week and then nine on the first four weekends.

2 And then once Daylight Saving Time comes in, we will
3 determine whether or not we have the inventory to run ten on
4 the weekends.

5 COMMISSION CHAIRPERSON SHAPIRO: All right, so you
6 are taking a more conservative approach?

7 MR. CHARLES: Absolutely.

8 COMMISSION CHAIRPERSON SHAPIRO: Okay.

9 COMMISSION VICE CHAIRPERSON HARRIS: I think they
10 should have some flexibility. If they have the
11 horses -- and, I mean, the industry and the whole country's
12 got problems financially.

13 But if you can run that tenth race and get a good
14 handle on it, you're going to make money for everybody. So
15 I don't think the Racing Board wants to come in and tell
16 you, you can't run ten races.

17 MR. CHARLES: That's what he just did.

18 COMMISSION VICE CHAIRPERSON HARRIS: Sort of.

19 MR. CHARLES: Yeah, kind of.

20 COMMISSION CHAIRPERSON SHAPIRO: I'm just saying
21 that -- but we need to be mindful of not depleting the horse
22 population so that we have fields every day.

23 COMMISSION VICE CHAIRPERSON HARRIS: Well, that's
24 what they get paid to do.

25 COMMISSION CHAIRPERSON SHAPIRO: Well, okay.

1 Thank you, Commissioner Harris.

2 (Laughter.)

3 MR. CHARLES: I prefer Mr. Harris's view.

4 COMMISSION CHAIRPERSON SHAPIRO: Okay, so now that
5 you've popped up, could you tell us, do you have your
6 horsemen's agreement and your agreement with the trainers,
7 and are those in place?

8 I see things being passed down the aisle here.

9 Mr. Haines, are those executed copies?

10 (Laughter.)

11 MR. HAINES: It's coming together at the last
12 minute, I believe they are executed.

13 THE REPORTER: Could you state your name, please?

14 MR. HAINES: George Haines, H-a-i-n-e-s.

15 COMMISSION CHAIRPERSON SHAPIRO: Okay, I'm not
16 sure I understood that. Do you have an agreement with TOC
17 and the CTT?

18 MR. HAINES: Yes. Yes, we do.

19 COMMISSION CHAIRPERSON SHAPIRO: Here, signed?

20 (Laughter.)

21 COMMISSION VICE CHAIRPERSON HARRIS: It seems like
22 we should be able to -- I mean, it seems to me we should be
23 able to review these agreements.

24 I'm getting tired of being on this Board, it comes
25 in the last minute, and that's it. And I don't know, there

1 should be a better protocol than operating like this.

2 COMMISSION CHAIRPERSON SHAPIRO: Okay.

3 MR. CHARLES: Commissioner Harris, I agree. The
4 problem is we're faced with extremely difficult economic
5 times and we're trying to figure out exactly where we are
6 with purses and exactly what we're doing.

7 And I agree, in the future we will definitely try
8 harder to get this to you earlier. This one has been one
9 we've been working on, and working around the clock on, and
10 we're fortunate to have it finished.

11 COMMISSION CHAIRPERSON SHAPIRO: All right.

12 COMMISSION VICE CHAIRPERSON HARRIS: I don't
13 believe you worked around the clock on it.

14 MR. CHARLES: Two, three hours.

15 COMMISSION CHAIRPERSON SHAPIRO: So that begs then
16 the question, which I think you mentioned, which is what are
17 the arrangements for ADW wagering at this meeting?

18 MR. CHARLES: We're hopeful there will be an
19 agreement with all of the ADW providers.

20 COMMISSION CHAIRPERSON SHAPIRO: So your goal is
21 to have all four ADW providers at this meeting?

22 MR. CHARLES: Taking wagers on our races, with
23 HRTV doing the television.

24 COMMISSION CHAIRPERSON SHAPIRO: All right, so
25 that's the goal.

1 And at this point I'm assuming, given the impasse
2 and where things are at, there's simply -- there are no
3 agreements in place at this moment in time?

4 MR. CHARLES: No, there aren't. But, again, I
5 want to reassure everyone we have -- you know, we've fully
6 intended to sign with each one of the ADW providers.

7 COMMISSIONER CHOPER: Well, we have a -- we have
8 applications from all four of the major ADW providers.
9 They're scheduled for the end of the meeting.

10 COMMISSION CHAIRPERSON SHAPIRO: What do you mean
11 the end of the meeting?

12 COMMISSIONER CHOPER: They end of our meeting.

13 COMMISSION CHAIRPERSON SHAPIRO: Oh, they are here
14 to be re-licensed as ADW providers.

15 COMMISSIONER CHOPER: That's what I mean. Yes,
16 excuse me if I misspoke.

17 That's what I meant, they want to be re-licensed;
18 right?

19 So maybe we're taking the cart before the horse,
20 metaphorically.

21 Because one of the things that we've been talking
22 about, it seems without resolution, at a number of meetings,
23 is the question of the extent to which the Board has
24 authority to reject a license application on the grounds of
25 it's a failure to provide for non-exclusivity.

1 Now, does someone -- it seems to me -- I, myself,
2 at least, would like to know what that looks like. You
3 indicated, just a moment ago, that you're going to have a
4 non-exclusive agreement with all -- with the major ADW
5 providers. Did I hear you right?

6 MR. CHARLES: Yes, and we will have that in
7 California and we are attempting to get that outside of
8 California.

9 COMMISSIONER CHOPER: I see. Attempting to get it
10 outside of California?

11 MR. CHARLES: Yes. Where the impasse is right
12 now.

13 COMMISSIONER CHOPER: Uh-huh, and what does that
14 look like?

15 MR. CHARLES: We are negotiating, you know, on a
16 daily basis.

17 COMMISSION VICE CHAIRPERSON HARRIS: Is there
18 anything different in your negotiations that is currently
19 occurring in the Hollywood Park negotiations?

20 MR. CHARLES: No, I think we're talking the exact
21 same issues.

22 COMMISSIONER MOSS: Are you negotiating with them
23 as a group or individually?

24 MR. CHARLES: Them being the ADW providers?

25 COMMISSIONER MOSS: Yes.

1 MR. CHARLES: Actually, we have a -- XpressBet,
2 which handles the wagering for Santa Anita, has a
3 representative, has an agency, with is TrackNet, and
4 TrackNet does our negotiations for us.

5 COMMISSIONER ISRAEL: That's on one side.

6 MR. CHARLES: Correct.

7 COMMISSIONER ISRAEL: But then, when you're
8 negotiating on behalf of Santa Anita --

9 MR. CHARLES: Right.

10 COMMISSIONER ISRAEL: -- you negotiate with each
11 one of them individually, I think that's what Commissioner
12 Moss was asking, or do they act as a collective and you try
13 to cut a uniform deal with all of four agencies?

14 MR. CHARLES: What we do is basically try to make
15 an arrangement with the ADW companies for all of them at the
16 same rate, and then go to the horsemen for their consent.

17 COMMISSION CHAIRPERSON SHAPIRO: So would I be
18 correct in saying what you're trying to do is work to where
19 you can offer your signal on the same terms to all four ADW
20 providers at the same time?

21 MR. CHARLES: Correct.

22 COMMISSION CHAIRPERSON SHAPIRO: All right, so
23 that --

24 MR. CHARLES: At the same rate.

25 COMMISSION CHAIRPERSON SHAPIRO: At the same rate,

1 at the same time. The only thing that would remain
2 exclusive would be that the broadcast would be on HRTV.

3 MR. CHARLES: Correct.

4 COMMISSION VICE CHAIRPERSON HARRIS: But there
5 would probably be a broadcast fee as well, I presume?

6 MR. CHARLES: Correct.

7 COMMISSIONER ISRAEL: So you would sell the
8 broadcast signal to another television service or not?

9 MR. CHARLES: No, HRTV would have the exclusive.

10 COMMISSIONER ISRAEL: Exclusive television.

11 COMMISSION VICE CHAIRPERSON HARRIS: But wouldn't
12 there be prohibitions of -- I can see you could go to them
13 and say, okay, this is the price we want, but they can't get
14 together and come to you. I think there would be, you know,
15 anti-trust restrictions and stuff that they couldn't really
16 come to you with a price, that you could go to them.

17 MR. CHARLES: Yeah. Well, we obviously -- we have
18 a representative who's negotiating for that and I think
19 you'll be hearing from him later.

20 COMMISSION CHAIRPERSON SHAPIRO: And then I -- and
21 as we all know, this is a tri-party deal in that the
22 horsemen, then, would have to provide their consent to this
23 agreement.

24 MR. CHARLES: That's correct.

25 COMMISSION CHAIRPERSON SHAPIRO: Okay.

1 COMMISSIONER ISRAEL: Are you dependent upon the
2 ice breaking in the Hollywood Park log jam before you can
3 make a deal?

4 Or can you make a deal on your own, that's
5 acceptable to you, and the ADW providers, and TOC, and just
6 proceed with your business as you'd like?

7 MR. CHARLES: I think it's possible. I don't
8 think it's probable. And I don't think it would be in the
9 best interest.

10 I think the idea right now is to try to find a
11 solution and get Hollywood up, and Golden Gate up, as soon
12 as possible, and then have that extend through, hopefully,
13 the balance of the year. We're looking for a one-year, at
14 least a one-year term.

15 COMMISSIONER ISRAEL: The calendar year 2009?

16 MR. CHARLES: Yes.

17 COMMISSIONER ISRAEL: So in other words, we can't
18 expect that you'll make a deal first and then retroactively
19 the current race meeting would follow suit.

20 MR. CHARLES: No, I think we are all trying to
21 find a deal as soon as possible, that would get Hollywood
22 Park and Golden Gate back up, out of state.

23 Well, they are -- we are taking wagers in-state on
24 ADW.

25 COMMISSIONER ISRAEL: That, I understand.

1 COMMISSION CHAIRPERSON SHAPIRO: Okay. Are there
2 any other questions for this applicant, from any of the
3 Board members?

4 COMMISSION VICE CHAIRPERSON HARRIS: One thing
5 that I'm concerned about, Santa Anita, you know, is well
6 known to have a wonderful reputation, a great history, a
7 great management, but the financial statement is pretty
8 weak. I mean, it's weaker than some of ours, probably.

9 But I think that's okay because there's a lot of
10 things that go into that. But one of my concerns is that we
11 are assured there's a segregation of funds, because we've
12 gotten into a dispute with the harness meet up here, that if
13 there are funds in a purse account, or in an unattached
14 ticket account, or whatever, that those funds are
15 effectively held in trust, they aren't really part of an
16 unsecured credit.

17 MR. CHARLES: That's correct.

18 COMMISSION VICE CHAIRPERSON HARRIS: You know,
19 just so everyone understands that's the way it is and
20 there's no dispute over that.

21 COMMISSION CHAIRPERSON SHAPIRO: And our licensee
22 is actually Los Angeles Turf Club.

23 MR. CHARLES: Correct.

24 COMMISSION CHAIRPERSON SHAPIRO: It is not MEC.

25 MR. CHARLES: That's a wholly owned subsidiary.

1 COMMISSION VICE CHAIRPERSON HARRIS: No, but MEC
2 is signing a guarantee.

3 COMMISSION CHAIRPERSON SHAPIRO: No, no, but I'm
4 just saying so it is, in fact, separately -- it's not
5 commingled, I'm assuming.

6 MR. CHARLES: It's separately licensed, Richard,
7 but it's a wholly owned subsidiary of MEC.

8 COMMISSION CHAIRPERSON SHAPIRO: I understand
9 that. But what I don't know, what I'm assuming by that is
10 that, as the licensee, they probably segregate those funds
11 differently before they get consolidated into the parent. I
12 don't know.

13 MR. CHARLES: We do hold those funds separately.
14 A purse account, per terms of the TOC contract, must be kept
15 separate, in a separate account.

16 COMMISSIONER ISRAEL: Well, wasn't the, if I
17 remember correctly, the error with the harness problem, a
18 bond was not posted that was requested, didn't that occur?

19 COMMISSION CHAIRPERSON SHAPIRO: Well --

20 COMMISSION VICE CHAIRPERSON HARRIS: Not really.
21 I mean, we don't even have a bond here. So that --

22 COMMISSIONER ISRAEL: I thought a bond was
23 requested and then there was problem and it wasn't posted.

24 COMMISSION CHAIRPERSON SHAPIRO: Yes. What we
25 requested was that they post a financial instrument, a

1 letter of credit or a bond. When we realized that in the
2 beginning of the year they failed to do that, and that was
3 part of what the problem was. That was part of what the
4 problem was, yes.

5 COMMISSIONER ISRAEL: So there's a bond to be
6 posted in this instance or is that deemed unnecessary?

7 COMMISSION VICE CHAIRPERSON HARRIS: I think the
8 idea would be if all these funds are segregated correctly,
9 there's no real need for a bond, as I understand it.

10 COMMISSION CHAIRPERSON SHAPIRO: And keep in mind,
11 with the Sacramento Harness, it was a new organization --

12 COMMISSIONER ISRAEL: Yeah, they had no real
13 property.

14 COMMISSION CHAIRPERSON SHAPIRO: -- they had no
15 real property.

16 COMMISSIONER ISRAEL: They did not have any real
17 property to --

18 COMMISSION CHAIRPERSON SHAPIRO: They didn't have
19 any real property, they had no capitalization.

20 COMMISSIONER ISRAEL: Yeah.

21 COMMISSION CHAIRPERSON SHAPIRO: I think we know
22 what this is.

23 COMMISSIONER MOSS: This is The Great Race Place.

24 COMMISSIONER ISRAEL: Yeah, I know, this is a
25 completely different situation.

1 COMMISSION VICE CHAIRPERSON HARRIS: Well, not
2 exactly.

3 COMMISSION CHAIRPERSON SHAPIRO: Okay, if there
4 are no other comments or questions, I --

5 COMMISSIONER ISRAEL: The deal's definitely not
6 getting signed now.

7 (Laughter.)

8 COMMISSION CHAIRPERSON SHAPIRO: Yeah. I'll
9 entertain a motion to approve this license application?

10 COMMISSIONER MOSS: Motion.

11 COMMISSION CHAIRPERSON SHAPIRO: So moved.
12 Is there a second?

13 COMMISSIONER CHOPER: Second.

14 COMMISSION CHAIRPERSON SHAPIRO: Second. All in
15 favor.

16 (Ayes.)

17 COMMISSION CHAIRPERSON SHAPIRO: Thank you, Mike.
18 Congratulations, good racing, and good luck.

19 COMMISSION VICE CHAIRPERSON HARRIS: I'd like to
20 official abstain because I'm getting tired of approving
21 these without --

22 THE REPORTER: Who made the motion?

23 COMMISSION CHAIRPERSON SHAPIRO: Commissioner Moss
24 made the motion, Commissioner Choper made the second.

25 THE REPORTER: Thank you, sir.

1 COMMISSION CHAIRPERSON SHAPIRO: Sure.

2 What would you say?

3 COMMISSION VICE CHAIRPERSON HARRIS: I want to
4 abstain, not because -- I believe, basically, this
5 application is appropriate. But I don't want to vote on
6 anymore applications where we have not had an opportunity to
7 review the outstanding agreements.

8 COMMISSION CHAIRPERSON SHAPIRO: Okay, then we
9 will mark that as approved with one abstention.

10 And I guess there's a message in that, that people
11 better get their horseracing contracts in order before we
12 hear these.

13 COMMISSIONER CHOPER: I didn't vote to abstain,
14 but I certainly feel the same way. And I must say, with
15 some experience dealing with -- observing lawyers deal, bad
16 economic times don't seem to have any great impact on the
17 notion of waiting until the last moment, and it's certainly
18 been manifest here in the year plus, you know, that I've
19 watched this come in.

20 And you put people at a disadvantage that way.

21 And it can be done, if it wants to be done. But
22 the only thing hanging over you in the negotiations is the
23 deadline, it finally happens.

24 And there may be value, maybe we just should put
25 the deadline earlier, that we don't consider any application

1 unless at least -- well, you fill in the blank, 15 number of
2 days before the --

3 COMMISSION CHAIRPERSON SHAPIRO: Commissioner
4 Choper, if this meet didn't start in December, I would have
5 deferred it.

6 COMMISSIONER CHOPER: Yeah.

7 COMMISSION CHAIRPERSON SHAPIRO: I'll be honest
8 with you, you're correct. But we are at the end of the
9 year, they need to start promoting their meeting.

10 COMMISSIONER CHOPER: I know.

11 COMMISSION CHAIRPERSON SHAPIRO: I know that -- I
12 totally agree with you.

13 COMMISSIONER CHOPER: I know.

14 COMMISSION CHAIRPERSON SHAPIRO: I've been for
15 four years, John's been here for eight years, we've been
16 saying the same thing and I understand that their issues are
17 always between our archaic system of having these things
18 come up every year and we have to deal with them, and then
19 we have between the horsemen and the tracks and getting it
20 done, and they don't get it done.

21 COMMISSION VICE CHAIRPERSON HARRIS: I think it's
22 just a disrespect to the Board that they just take the
23 attitude that these are a bunch of dummies up here, they'll
24 approve it anyway.

25 COMMISSIONER ISRAEL: Well, is it too late, I

1 mean, to suggest that the approval be revisited now and be
2 granted provisionally, and that we establish a date by
3 December in which these agreements must be in place when we
4 meet in December.

5 COMMISSION CHAIRPERSON SHAPIRO: Well, we could do
6 that. However, we're told that the meeting -- that this
7 agreement is going to be executed, let's call it, today.

8 Because of that, what I would suggest is that we
9 let them do that, subject to disseminating copies to the
10 Board. And if any Board Member wishes to come back and
11 question, or have an issue with it, we'll leave that open
12 for reconsideration of that issue.

13 But I don't think we should hold up letting them
14 begin to market and plan, and everything for their meeting.
15 Their meeting is a month plus away.

16 And that's my concern is we may not be meeting
17 until -- December 15th's the date I heard.

18 COMMISSIONER ISRAEL: No, no, I agree.

19 COMMISSIONER CHOPER: Yeah, we don't want to cut
20 our nose to spite our face.

21 COMMISSION CHAIRPERSON SHAPIRO: Yeah.

22 COMMISSIONER CHOPER: I mean, but it has to be an
23 appeal to the parties to reach an agreement beforehand.

24 COMMISSION CHAIRPERSON SHAPIRO: I think the
25 message is loud and clear.

1 MR. CHARLES: Commissioner Choper, I couldn't
2 agree with you more.

3 COMMISSIONER CHOPER: No, I know.

4 MR. CHARLES: And I assure you, when we come back
5 next year, this will be taken care of and this won't happen
6 again.

7 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, because
8 this is not just a Santa Anita problem.

9 MR. CHARLES: Yeah.

10 COMMISSION VICE CHAIRPERSON HARRIS: But this dog
11 ate my homework has gone on for years and years.

12 MR. CHARLES: It won't happen again.

13 COMMISSIONER MOSS: I mean, why can't, for
14 example, which is the -- is it TrackNet, which represents
15 Santa Anita; correct, why can't there be an ADW agreement
16 just with them, for example?

17 I mean, you know what I'm saying, I just don't get
18 the fact that -- I just don't see where all these companies
19 are acting in collusion to stop our progress in this regard.

20 MR. CHARLES: Okay, and on that specific item, I'd
21 rather have Scott Daruty, from TrackNet, explain exactly
22 what that will be.

23 COMMISSIONER MOSS: Okay.

24 COMMISSION CHAIRPERSON SHAPIRO: Okay. Yes.

25 MR. HALPERN: Ed Halpern, California Thoroughbred

1 Trainers.

2 I'd just like to comment that, unfortunately,
3 these things sort of work both ways. And we usually don't
4 see the agenda until a few days before the meeting, and it
5 would probably be helpful if we could set a schedule early
6 in the year as to when contracts might be due.

7 Because even though we're working on our
8 contracts, I don't know what's going to be on your agenda
9 until a week before --

10 COMMISSIONER CHOPER: Well, I don't see any reason
11 why we can't do that.

12 COMMISSION CHAIRPERSON SHAPIRO: Okay, so you're
13 saying that you didn't know that the license application for
14 Santa Anita would come up at this time?

15 MR. HALPERN: Until I see an agenda, I don't know
16 whether it's going to be on the August meeting, September
17 meeting, the October meeting or --

18 COMMISSION CHAIRPERSON SHAPIRO: How about
19 planning on August, you'll have it done by then.

20 COMMISSION VICE CHAIRPERSON HARRIS: Well, start
21 it early and --

22 COMMISSIONER CHOPER: Yeah, start it early, that's
23 easy.

24 MR. HALPERN: Well, we have lots of things we're
25 trying to do.

1 COMMISSION CHAIRPERSON SHAPIRO: We will make sure
2 that -- we will make sure that -- we will ask that staff,
3 who's sitting right to your left, and you can lean over and
4 talk to her, that perhaps we can put out a schedule of when
5 we will be hearing license applications for each racing
6 association, so that the parties will have plenty of time to
7 plan in advance to avoid that. Glad to help you.

8 Mr. Daruty?

9 MR. DARUTY: Yes.

10 COMMISSION CHAIRPERSON SHAPIRO: I'm looking up
11 there and you're right in front of me.

12 Okay, do you want to address Commissioner Moss's
13 comments?

14 MR. DARUTY: Yeah, I'm sorry, do you mind, just so
15 I'm clear on exactly what the question was?

16 COMMISSIONER MOSS: I don't understand why -- I
17 still don't understand why we're accepting all the ADW
18 companies as a collective. You know, it seems to be we're
19 negotiating with all of them at the same time and I'm
20 wondering why we can't make separate deals with each of
21 them, and hold out whatever promise, whatever opportunities
22 to this companies individually, rather than have to deal
23 with everything on a collective basis, where they seem to
24 employ a certain power over us?

25 MR. DARUTY: Well, that's a good question. And we

1 actually, on behalf of the racetracks, TrackNet is
2 negotiating separately with the various ADW companies.

3 The key element that ties them all together is
4 horsemen's approval. And let me give you the specific
5 example of the current Golden Gate Fields meet.

6 TrackNet currently has an agreement with
7 Twinspires, with XpressBet, and with Youbet to carry the
8 Golden Gate signal. At this time, the horsemen have not
9 provided their consent to that agreement.

10 We're continuing to work with the horsemen to
11 address their legitimate concerns and try to reach an
12 agreement.

13 It is my belief that when we do reach agreement
14 with the horsemen that the deal is going to cover all four
15 account wagering companies, or at least it would be a
16 proposal that would be made to all four account wagering
17 companies.

18 Whether or not all four then agree to accept the
19 terms remains to be seen.

20 But I think it's one of the big items that the
21 horsemen have told us is they want the content available to
22 all four platforms.

23 So it's really that horsemen's consent issue
24 that's tying them all together.

25 COMMISSIONER ISRAEL: So you're saying the ADW

1 companies have reached an agreement with the racetracks,
2 with the racing associations, and all that awaits is the
3 approval of TOC?

4 MR. DARUTY: No, not quite. What I'm saying is
5 that this -- and I'm using the Golden Gate meet as an
6 example. Golden Gate started in, I don't remember exactly,
7 September, and was available on account wagering platforms,
8 XpressBet, Twinspires, and Youbet through the end of
9 October.

10 At that point this issue with the horsemen sort of
11 came to a head and no signals from California have been able
12 to be wagered on, for account wagering purposes, outside the
13 State of California.

14 It is my belief that the terms that the horsemen
15 are looking for, when we're finally able to reach agreement
16 with the horsemen, that those terms would then apply to all
17 four account wagering companies, because it's an
18 important -- it's an important component of the deal for the
19 horsemen that the signals be broadly distributed.

20 COMMISSIONER ISRAEL: I'm confused. Golden Gate
21 meeting was already in operation, and you were taking bets
22 from out of state through those three ADW providers, and
23 then you stopped taking bets from out of state because?
24 What changed?

25 MR. DARUTY: The horsemen's consent was granted

1 only through the end of October and after that point they
2 didn't continue to grant consent.

3 COMMISSIONER ISRAEL: In the middle of a meet it
4 was withdrawn?

5 MR. DARUTY: Well, listen, we've been working in
6 good faith with the horsemen and I'm not here to point the
7 finger at them. We're all negotiating daily and I'm hopeful
8 that we're going to reach an agreement pretty soon.

9 COMMISSIONER ISRAEL: So you were working without
10 a contract and then reached an impasse, and they said we're
11 not satisfied, is that -- I mean, I got to admit I'm a
12 little confused.

13 COMMISSION CHAIRPERSON SHAPIRO: Well, let me
14 just -- it was well noticed, going back to, I believe, July,
15 that this issue was coming forward.

16 COMMISSIONER ISRAEL: Sure.

17 COMMISSION CHAIRPERSON SHAPIRO: And it's also my
18 understanding that the horsemen said, listen, we want to see
19 these new rates, and we're not happy with where it's at.

20 And I believe they said, at the beginning of when
21 Hollywood Park opened, they were going to withhold their
22 consent even to Golden Gate. And so I think if --

23 COMMISSIONER ISRAEL: Okay.

24 COMMISSION CHAIRPERSON SHAPIRO: They gave prior
25 notice.

1 Now, all of us hoped that there would be an
2 accord, so that there was no interruption in out-of-state
3 wagering.

4 We all understand that the horsemen have the right
5 to either enter into, or approve, provide consent to any of
6 the ADW wagering.

7 I do appreciate the complex issues that are taking
8 place here, that the horsemen are striving to get more money
9 for purses, which is badly needed, especially in California,
10 and for its track partners.

11 And the ADW companies are looking to make sure
12 that they can make a reasonable profit, so they promote, as
13 well as they do, the California product.

14 So it's a very complex situation.

15 It's my understanding, based on discussions I've
16 had, that there's a meeting tomorrow, which I'm hopeful the
17 parties will all come together and find a way to resolve
18 this once and for all.

19 It is a very painful period. It's hurting our
20 tracks, it's hurting our horsemen, it's hurting our fans.
21 But it isn't where I think you can point to any one side and
22 say, you know, they're doing this maliciously.

23 Mr. Couto, perhaps you should add some light.

24 COMMISSIONER ISRAEL: I just want to say one
25 thing. I've only been around for a short period of time,

1 but it seems to me that at least on four, or five, or six
2 occasions there's a meeting tomorrow and tomorrow never
3 comes, and the meeting results in nothing, you know.

4 COMMISSION VICE CHAIRPERSON HARRIS: That's true.
5 It seems like there seems to be some conflict resolution
6 type of a system we could do. It seems like nothing, it's
7 just, well, we're going to have a meeting. But there's no
8 need to bring in a mediator, or an arbitrator, or something
9 to get the thing going.

10 COMMISSION CHAIRPERSON SHAPIRO: We don't drive
11 that bus, unfortunately.

12 COMMISSION VICE CHAIRPERSON HARRIS: Well, we
13 don't drive, but we need to build a bus to do that.

14 COMMISSIONER CHOPER: You know, you stated it very
15 accurately, I thought.

16 But what gets underplayed is the non-participants
17 who are suffering because of this.

18 COMMISSION CHAIRPERSON SHAPIRO: Absolutely.

19 COMMISSIONER CHOPER: And they're the fans. And
20 the -- well, actually, the horsemen are suffering, too. But
21 the fans are certainly suffering. And the racing
22 associations are suffering.

23 I want to say, I went to the races yesterday -- or
24 what is today, Tuesday? Sunday, at Golden Gate Fields, and
25 there were nine races. Six \$4,000 claimers, two \$8,000

1 maiden races. The feature was a \$20,000 maiden claimer.

2 Robert, am I wrong about that?

3 And that just -- it puts off fans, even though,
4 you know, fortunately, there were a goodly number of horses
5 in each race. But it really -- I mean, friends of mine
6 said, what's going on?

7 And I say, well, there's been a hassle between the
8 horsemen and the racing associations.

9 But a lot of them say, well, what's the point of
10 coming out?

11 COMMISSION CHAIRPERSON SHAPIRO: You know,
12 Commissioner Choper, we're going to get to where we're going
13 to be discussing ADW licenses, shortly.

14 COMMISSIONER CHOPER: Okay, I'm sorry.

15 COMMISSION CHAIRPERSON SHAPIRO: No, no, no. And
16 I couldn't agree with you more.

17 I am sure that, as Mr. Couto will tell you, and
18 some others in this room, they're sick of my e-mails, and my
19 trying to push them to get this done.

20 There are people that are not in this meeting that
21 are involved. This is a national -- there are a lot of
22 national interests, and so forth.

23 But, you know, when we get to the licensing of our
24 ADW companies, frankly, we need to pause and say, well, if
25 we're not using it right, do we want to license them?

1 I mean, that's our level. In this area,
2 unfortunately, we have no authority. Otherwise, we all
3 would have resolved this by now.

4 So, Mr. Couto, why don't you shed some light here.

5 MR. COUTO: Sure. Drew Couto, Thoroughbred Owners
6 of California.

7 I just want to clarify what I think is one mistake
8 in perception with regard to the availability of the Golden
9 Gate signal to all licensed California ADW companies.

10 TOC, at the beginning of the Golden Gate Fields
11 meet, authorized all four ADW companies, that are licensed
12 in the State of California, to accept wagers from
13 Californians on Golden Gate Field's races.

14 It's our understanding that TrackNet did not reach
15 agreement with TVG and, therefore, TrackNet decided not to
16 allow TVG to wager on Golden Gate Fields races.

17 So I want to make certain that everybody
18 understands that predicament is not the result of any
19 decision made by the owners, or by horsemen.

20 That we have, in fact, approved all four licensed,
21 but those two companies could not reach agreement on doing
22 that.

23 COMMISSIONER CHOPER: Yeah.

24 MR. COUTO: Okay, so that's problem number one.

25 Number two, with regard to the out-of-state ADW

1 issue and --

2 COMMISSIONER CHOPER: I'm sorry, would you explain
3 one thing?

4 MR. COUTO: Sure.

5 COMMISSIONER CHOPER: So what you're -- so maybe
6 I'm asking the wrong person. What caused the failure of the
7 agreement there?

8 MR. COUTO: I don't know because --

9 COMMISSIONER CHOPER: I mean, no one asked me to
10 sign anything is the point, and I would have signed.

11 COMMISSION CHAIRPERSON SHAPIRO: Well, let's ask
12 Mr. Daruty. Mr. Daruty, why did -- was there not an
13 agreement between TrackNet and TVG?

14 MR. DARUTY: We're getting into the detail of the
15 negotiation, but the short answer is that prior to the Oak
16 Tree meeting TrackNet offered to allow TVG to take wagers
17 both on Golden Gate Fields and on an out-of-state racetrack.
18 And in exchange we asked -- I'm sorry, we would allow them
19 to take bets on Golden Gate Fields and an out-of-state
20 racetrack, and in exchange we wanted the right to take
21 wagers on Oak Tree.

22 TVG declined that offer. Our platforms were not
23 able to take wagers on Oak Tree and, therefore, since they
24 didn't accept the offer, they weren't allowed to take wagers
25 on Golden Gate Fields.

1 Again, we've heard this Commission loudly and
2 clearly. We've heard the fans, we've heard the horsemen,
3 everybody wants open content and we know that's our
4 objective, that's our mandate, and we're negotiating now on
5 deals that would allow all four companies to take the
6 product.

7 I will point out that we just reached an agreement
8 with an out-of-state racetrack where the horsemen approved a
9 rate, and that rate was made available to all four
10 platforms, and only three of the four chose to take the
11 product at that rate.

12 And that's to Commissioner Moss's point, earlier,
13 that the ADWs are not negotiating as a group, they're each
14 making their independent decision.

15 I feel like it's my job, representing the
16 racetracks, to push the host fees as high as I can, to
17 return as much money to the racetracks and the horsemen, but
18 not push them so high as then the ADW companies say, forget
19 it, we're not going to take it.

20 There is a point at which the ADW companies will
21 walk away and it's finding that balance.

22 And, again, I'm hoping that our meeting tomorrow
23 will be fruitful. There's no guarantees that it will, but I
24 hope that it is.

25 COMMISSIONER CHOPER: Well, one solution is to all

1 of you get together and agree to some form of arbitration.

2 Because, as Commissioner Israel said, meetings are
3 meetings. There's no lack of effort being put into this,
4 but there's a lack of something. And it is a lack of will
5 to come to some fair conclusion.

6 And if you can't, I can understand if two people
7 think -- two sides thinking that they can't -- it's not
8 fair.

9 Well, why don't you get somebody who will make
10 that decision for the both of you. That's what I would
11 suggest.

12 MR. COUTO: You know, that's sound and prudent
13 advice. I concur with you on that.

14 What you're dealing with, I think Scott
15 and --

16 COMMISSIONER ISRAEL: So you would accept binding
17 arbitration?

18 MR. COUTO: No. I said it's prudent advice. No.

19 COMMISSIONER ISRAEL: Which side of your mouth are
20 you going to talk out of next?

21 MR. COUTO: Well, here's the problem. Scott just
22 explained to you what TrackNet is. On the one hand they
23 represent tracks selling a signal, on the other hand they
24 represent ADW companies buying a signal.

25 Now, when you shift money from the ADW to the

1 track partner that money has to be split with the horsemen,
2 so it's easier to keep it over -- I don't want to go through
3 this. This is the type of stuff that we're negotiating, the
4 realities of the intertwined companies.

5 And to try and put that in front of somebody at
6 this juncture, and think that you're going to get a
7 resolution more quickly than what we're trying to do -- it's
8 a good starting point going forward --

9 COMMISSIONER CHOPER: Well, gee, I'm not sure of
10 that. I must say, I agree, it sure is complicated. Every
11 time I read one of these memos, it's like I got to call up
12 all prior knowledge, which has long since disappeared, and a
13 lot of which doesn't come back --

14 (Laughter.)

15 COMMISSIONER CHOPER: -- and try to figure out who
16 the players are and where they are.

17 But that's certainly not true if you retain
18 somebody to sit down and grab hold of this thing, and
19 someone in whom -- there are all kinds of arbitrators, and
20 mediators, and so forth.

21 And even if it's not compulsory, you really -- I
22 think it's time, very close, to doing something.

23 COMMISSION CHAIRPERSON SHAPIRO: Commissioner
24 Choper, I couldn't agree with you more, okay, the industry
25 needs to get this resolved. It has to be. In this economic

1 climate it's suicide what's going on, okay.

2 And I'm not pointing a finger because I agree with
3 a lot of the goals here.

4 However, this is not a two-party issue. What we
5 have here is we have multiple parties, with multiple
6 overlapping interests and, therefore, to arbitrate this, I'm
7 not sure how an arbitrator could even arbitrate it when
8 there are so many different sides and relationships that are
9 going forward.

10 Because you've got to get the ADW companies to
11 agree in exchange, then you've got to get the tracks to
12 agree, and then you've got to get the horsemen in different
13 places to consent.

14 The whole thing is a mess.

15 COMMISSIONER CHOPER: It is.

16 COMMISSION CHAIRPERSON SHAPIRO: An adjective is a
17 mess.

18 COMMISSIONER ISRAEL: Commissioner, this reminds
19 me of the Paris Peace Talks, where we're just going to spend
20 six months trying to decide what shape the table is, because
21 there are three parties to the Peace Talks, the North
22 Vietnamese, the South Vietnamese, and the United States.

23 COMMISSIONER CHOPER: They didn't have an
24 arbitrator.

25 COMMISSIONER ISRAEL: You know, and --

1 COMMISSIONER CHOPER: And that's exactly what's
2 going on here, and we better fix up that table pretty fast.

3 COMMISSIONER ISRAEL: And they wound up with a
4 round table, if I'm not mistaken so --

5 MR. COUTO: Can I point out one thing, that what I
6 think is inherent -- there's a lot of inherent problems with
7 the current system, that we probably could benefit from the
8 outside views of somebody else.

9 But you begin with the law that exists, okay,
10 which is the Federal law. Which does not, as often is
11 suggested, allow the tracks and the ADW companies to reach
12 an agreement and then come back to the horsemen and say
13 consent or not consent.

14 That is the reason why you always have the
15 problem, because it's done that way.

16 What the law actually says, but is never applied
17 this way, and this is probably at the heart of the problem,
18 is it says as a condition precedent, before that track can
19 talk to me, it must have an agreement with its horsemen.

20 And the agreement with its horsemen sets out the
21 terms, and conditions, and the rates, et cetera,
22 exclusivities.

23 And then, once having had that agreement, the
24 track then goes to the ADW companies or the third party and
25 works out the deal, saying, here's the terms.

1 But that's not the way it's done. And, instead,
2 they paint horsemen as the unreasonable ones, when these
3 offers are put back in front of them to say, take it or
4 leave it, and that's not how the law says it's supposed to
5 work.

6 COMMISSIONER ISRAEL: So are you saying the law
7 specifies that you have priority --

8 MR. COUTO: Yes.

9 COMMISSIONER ISRAEL: -- your deal must be made
10 first?

11 MR. COUTO: Yes.

12 COMMISSIONER ISRAEL: Why isn't that occurring,
13 then?

14 MR. COUTO: That's not the practice. That's not
15 the practice, the way it goes. I mean, you can read -- you
16 can read for your own -- you can read for your own the
17 Interstate Horse Racing Act.

18 MR. DARUTY: That's disputed.

19 MR. COUTO: Well, read it for yourself.

20 COMMISSIONER ISRAEL: Well, let them --

21 MR. COUTO: No, no, no. Because you're going to
22 hear -- this is the problem, you're going to hear one view
23 or the other. Read it for yourself.

24 COMMISSIONER CHOPER: Let's take what you -- I'm
25 certainly willing to assume that what you say is true.

1 MR. COUTO: But Scott's not.

2 COMMISSIONER CHOPER: But that doesn't -- but that
3 doesn't stop -- I don't see how that affects what I'm
4 suggesting.

5 MR. COUTO: Well --

6 COMMISSIONER CHOPER: And that is, as Commissioner
7 Harris said to me, he says, you know what, there have been
8 more complicated things that have been put to arbitration.
9 And I am just sure that someone can master this and come to
10 a conclusion.

11 Now, the challenge for your folks, I urge you, is
12 to get that person that you have confidence will give it a
13 fair and intelligent judgment.

14 Because this is not, in the short run, doing
15 anybody any good.

16 MR. COUTO: We agree.

17 COMMISSIONER CHOPER: And it's just time.

18 COMMISSION VICE CHAIRPERSON HARRIS: Well, plus,
19 we're in such a financial turmoil. This is probably the
20 worst financial times of any of our lifetimes. And even
21 though this -- this is only a little segment. And the
22 reason the purses -- I mean, the fields weren't that great,
23 as far as the betting opportunities yesterday, at Golden
24 Gate, was only a little bit of that was really due to the
25 ADW situation.

1 But we're in such times, anything we can do to
2 help some, we really need to do.

3 COMMISSION CHAIRPERSON SHAPIRO: All right.

4 COMMISSIONER ISRAEL: Can I ask one more question?

5 COMMISSION CHAIRPERSON SHAPIRO: One more.

6 COMMISSIONER ISRAEL: Drew, stay there.

7 Does anybody know how much lost handle there has
8 been since out-of-state wagering stopped on Golden Gate and
9 didn't start on Hollywood Park, how many weeks that's been?
10 Gross dollars, what's it cost?

11 MR. COUTO: Three weeks, and I don't know what the
12 number is. I know it accounted for anywhere between 3.2 and
13 4.7 percent of purse revenue last year, at the same time
14 frame.

15 COMMISSIONER ISRAEL: Scott, do you have any idea
16 how many dollars it's cost everybody across the board?

17 MR. DARUTY: I don't have an exact number.

18 COMMISSIONER ISRAEL: Has anybody done a study to
19 say what the negative effect is, going forward, on the
20 perception of the customers, and whether they're going to
21 come back?

22 And if you live in an Eastern Time Zone, what are
23 you betting on, I mean, between the hours of, say, 7:00 and
24 10:00 at night, when we're running out here? Where's that
25 business going? Does anybody know?

1 Do you want to answer the question, Jack?

2 MR. LIEBAU: Jack Liebau, from Hollywood. I would
3 caution the discussion that's going on here. I think that
4 we're in a very delicate time. And for the first time, this
5 morning, I think that there might be a chance of some
6 settlement.

7 And I think that, to answer your question
8 directly, based upon the seven percent host fee, Hollywood
9 has projected that it is costing purses about \$17,000 a day.

10 Now, there have been offers --

11 COMMISSIONER ISRAEL: In lost handle?

12 MR. LIEBAU: No, in purses.

13 COMMISSION CHAIRPERSON SHAPIRO: No, in purses.

14 COMMISSIONER ISRAEL: What's the lost handle?

15 MR. LIEBAU: Well, take three and half percent of
16 the \$17,000 and I think it was --

17 COMMISSIONER CHOPER: Well, would you say -- I
18 mean, that's great. I guess my response would be, then do
19 it.

20 MR. LIEBAU: I can't do it, I'm not a party to
21 these discussions that are --

22 COMMISSION CHAIRPERSON SHAPIRO: Okay, you know
23 what --

24 MR. LIEBAU: I'm hoping something happens
25 tomorrow. I'm not going to be there. Hollywood's not going

1 to be there. Let's all say a prayer that these people can
2 do something.

3 COMMISSION CHAIRPERSON SHAPIRO: Thank you, Mr.
4 Liebau.

5 And, again, I know there's been a lot of -- this
6 is a very difficult issue, and I just want you to know there
7 really are people working very hard to try to resolve this
8 right now.

9 And as Mr. Liebau knows, and Mr. Daruty, and Mr.
10 Couto, and people that aren't even here, there is hope. I
11 think the parties have gotten very close and I, actually, am
12 very optimistic about tomorrow.

13 So I would say that we need to move on. We're all
14 very frustrated by this. It's hurting everybody. And then,
15 hopefully, we will know more tomorrow.

16 Thank you for coming, to the Santa Anita people.

17 Let's move on to Item Number 4, which is the
18 discussion by the Board the application to conduct a horse
19 racing meeting of the Pacific Racing Association, at Golden
20 Gate Fields, commencing December 26th through June 28th.

21 Again, we are on a tight schedule. And so I
22 think -- okay.

23 Mr. Hartman, thank you for coming.

24 All right, this is the application for the Golden
25 Gate Fields. I think, being that we understand the economic

1 issues, that your sister association was just here.

2 We've seen your marketing plan in the agreement.

3 Do you have a horsemen's agreement, a CTT
4 agreement at this time?

5 MR. HARTMAN: Robert Hartman, General Manager at
6 Golden Gate Fields.

7 We do have a signed TOC agreement, and that is
8 with Jackie Wagner.

9 I'm sorry that this agreement was so late --

10 COMMISSION CHAIRPERSON SHAPIRO: Can I have it
11 quiet, please? Thank you.

12 Go ahead.

13 MR. HARTMAN: I apologize that this agreement was
14 so late. The good news is it's an agreement for the entire
15 year, so we're early for the fall and winter agreement for
16 later on this year, if we're allocated dates.

17 COMMISSION CHAIRPERSON SHAPIRO: Okay. All right.
18 And what about your vanning and stabling contract?

19 MR. HARTMAN: The vanning and stabling contract is
20 premised on the racing calendar, so we could not execute
21 that agreement until we understood the full racing calendar
22 in the north and what dates you're going to allocate.

23 So all the parties are standing by, ready to do
24 that, once the calendar is approved.

25 COMMISSION CHAIRPERSON SHAPIRO: Okay. I also

1 note in here that you are planning to race eight races
2 weekdays, and nine on weekends and holidays.

3 Again, I want to throw out the caution here to be
4 mindful of our horse population.

5 And while my good friend, Commissioner Harris,
6 here, wants you to have full discretion, I still want them
7 to be very mindful of the horse population. That's why
8 we've cut back to four-day racing.

9 COMMISSION VICE CHAIRPERSON HARRIS: Yeah. No,
10 that's the thing, I'm a big believer in four days. But also
11 maybe ten races on the other days. But I thought there were
12 to be some four days in this. I think in the other schedule
13 there may be.

14 COMMISSION CHAIRPERSON SHAPIRO: I think there are
15 four days in --

16 COMMISSION VICE CHAIRPERSON HARRIS: When we get
17 into the actual racing dates.

18 COMMISSION CHAIRPERSON SHAPIRO: When we get into
19 the dates, you'll see it.

20 COMMISSION VICE CHAIRPERSON HARRIS: So this is
21 not exactly correct.

22 COMMISSION CHAIRPERSON SHAPIRO: Correct. And,
23 therefore, what dates we approve will be basically what we
24 will approve on the race dates. Correct?

25 MR. DARUTY: Correct.

1 COMMISSION CHAIRPERSON SHAPIRO: Okay, does
2 anybody have any comments, questions?

3 COMMISSION VICE CHAIRPERSON HARRIS: One issue I
4 had brought up to the parties, which I think they concurred
5 with, is the stakes schedule. I felt that there needed to
6 be some overnight stakes, because the breeding industry's
7 important in California, and opportunities for black type
8 enhanced values of horses.

9 And, basically, all you had was listed stakes, no
10 overnight stakes, and I'd like to see some flexibility in
11 that to allow -- plus, if someone goes to -- basically, you
12 didn't even have a stake a week. I just hope that will be
13 revisited with the concurrence of everybody.

14 COMMISSIONER CHOPER: I just wanted to ask one
15 question and that is on this chart, entitled "End of Meet
16 Report," on page 46 -- that's it. Am I missing something,
17 because I don't see 2008 there?

18 Isn't what --

19 MR. HARTMAN: This is not a document that we
20 prepare, this comes from Board staff.

21 EXECUTIVE DIRECTOR BREED: Yeah, and 2008's not
22 finished.

23 COMMISSIONER CHOPER: Pardon?

24 EXECUTIVE DIRECTOR BREED: 2008's not finished.
25 This is last year, 2007.

1 COMMISSIONER CHOPER: Yeah, but we have 2008 for
2 everybody else. I understand there may be a couple days
3 missing. Is that because -- I think 2008 was a lot more
4 optimistic than 2007.

5 COMMISSION VICE CHAIRPERSON HARRIS: No, it
6 wasn't, I mean --

7 EXECUTIVE DIRECTOR BREED: Maybe so.

8 COMMISSIONER CHOPER: Pardon me?

9 COMMISSION VICE CHAIRPERSON HARRIS: It got worse,
10 I think.

11 COMMISSIONER CHOPER: No, I don't think so.
12 Certainly, not in field size.

13 Anyway, I'd just like to have the 2008.

14 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, the
15 field size.

16 COMMISSIONER CHOPER: Even if it's incomplete, I
17 think it would be helpful to see.

18 COMMISSION CHAIRPERSON SHAPIRO: Okay.

19 COMMISSIONER CHOPER: Because I think it has
20 something to do with what's going on here and I think it's a
21 good thing to have.

22 COMMISSION VICE CHAIRPERSON HARRIS: It is
23 distressing, and I think it's not really what's -- but the
24 average daily attendance, I mean especially during the week
25 at Golden Gate was at all-time highs. I mean, it's in the

1 triple digits at times. And I don't know how we turn that
2 around, but I'm afraid it's going to be --

3 COMMISSIONER ISRAEL: All time lows, you mean?

4 COMMISSION VICE CHAIRPERSON HARRIS: Low, yeah.

5 And how do we revitalize that? I mean, there's got to be
6 some way.

7 I remember, historically, there would be four or
8 five thousand people there on a weekday was kind of average.

9 MR. HARTMAN: Yeah, we have a strong marketing
10 program. We do a lot of weekday mailings, with free passes
11 to people.

12 Our Sunday attendance, we've been doing these
13 Dollar Sundays, with dollar hot dogs, dollar beers, and a
14 lot of times we do a promotion every week. The concern is
15 that it gets a little bit stale.

16 But the exact opposite has happened. There's word
17 of mouth that's created. This last Sunday was the highest
18 Sunday of the meet so far and we've been doing these Dollar
19 Sundays. So we continue to see that growing, so that's a
20 very encouraging sign.

21 COMMISSIONER MOSS: What are some of your biggest
22 races?

23 MR. HARTMAN: The biggest races for three-year-
24 olds are the California Derby and the El Camino Real, which
25 we acquired from Bay Meadows, with them closing. We're

1 going to keep that tradition. They bring a bell to the
2 Winner's Circle at Bay Meadows, and they've loaned us that
3 bell, and we're going to try to keep that going for Bay
4 Meadows. And, you know, they have an important place in
5 Northern California history, and so we're going to keep that
6 alive.

7 The San Francisco Mile is a grade two race, that's
8 probably our greatest race of the year.

9 COMMISSIONER MOSS: How much is that going to go
10 for this year?

11 MR. HARTMAN: I believe 300,000.

12 COMMISSIONER MOSS: Okay. So that's heavily
13 publicized.

14 MR. HARTMAN: Yeah, that's a big event for us.

15 COMMISSION CHAIRPERSON SHAPIRO: Okay. If there
16 are no other questions, can I have a motion to approve this
17 application?

18 COMMISSIONER MOSS: I so move.

19 COMMISSION CHAIRPERSON SHAPIRO: Moved.

20 Second?

21 COMMISSIONER ISRAEL: Second.

22 COMMISSION CHAIRPERSON SHAPIRO: Second.

23 All in favor?

24 (Ayes.)

25 COMMISSION CHAIRPERSON SHAPIRO: Thank you, Mr.

1 Hartman.

2 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, I'd
3 like to abstain to be consistent with my other --

4 COMMISSION CHAIRPERSON SHAPIRO: Okay. It's
5 nearly unanimous, it's one abstention.

6 COMMISSION VICE CHAIRPERSON HARRIS: Just due to
7 the timeliness of the --

8 COMMISSION CHAIRPERSON SHAPIRO: Due to the
9 timeliness of the completion of their horsemen's agreement,
10 a protest abstention.

11 Okay, next up is discussion and action by the
12 Board on the application to conduct a racing meeting of the
13 Cal-Expo Harness Association, at Cal-Expo, commencing
14 December 26th, 2008 through August 1st, 2009, and then again
15 September 25th, 2009 through December 19th, 2009.

16 And let me also remind everybody that these dates
17 are subject to approval at a later agenda item, when we deal
18 with race dates. Therefore, we are not really talking about
19 the specific dates at this time, or they could be amended.

20 I see representatives of Cal-Expo are here. Is
21 there somebody from the horsemen's organization?

22 Oh, good. Why don't you come and sit down because
23 I'm going to be asking you something.

24 Great. I have a couple of questions that I would
25 like to ask the operator and, also, CHHA.

1 It's my understanding that basically what you will
2 be doing is going to a three-day-a-week racing schedule. Is
3 that correct?

4 MR. ELLIOTT: No, sir. In the months of January,
5 February --

6 THE REPORTER: Can you state your name for the
7 record?

8 MR. ELLIOTT: Sorry.

9 COMMISSION CHAIRPERSON SHAPIRO: Oh, sorry.

10 MR. ELLIOTT: David Elliott, Cal-Expo.

11 In the months of January, February, March and
12 April we're planning, at this time, to race a four-day
13 schedule.

14 COMMISSION CHAIRPERSON SHAPIRO: Okay, but I
15 should have corrected, I stand corrected, I meant the fall.

16 MR. ELLIOTT: Yes, that's correct.

17 COMMISSION CHAIRPERSON SHAPIRO: Okay. And, in
18 fact, you are just now -- you are racing now?

19 MR. ELLIOTT: Yes, sir.

20 COMMISSION CHAIRPERSON SHAPIRO: Okay, and you are
21 racing three days a week?

22 MR. ELLIOTT: Yes, sir.

23 COMMISSION CHAIRPERSON SHAPIRO: It's my
24 understanding that you have the horses now, where you could
25 be racing four days, but aren't?

1 MR. ELLIOTT: The amount of horses that are not
2 getting raced right now, on a weekly basis, is it's
3 fluctuated anywhere from 30 to 40 horses per week that don't
4 get a racing opportunity for that week.

5 Because, as you know, harness horses race every
6 single week.

7 And so what our racing secretary has done, he's
8 juggled the horses that don't get -- that don't get that
9 start.

10 COMMISSION CHAIRPERSON SHAPIRO: Okay. But you're
11 running how many races per week?

12 MR. ELLIOTT: Fifteen.

13 COMMISSION CHAIRPERSON SHAPIRO: No, per day, per
14 day? Fifteen?

15 MR. ELLIOTT: Fifteen, fifteen and thirteen.

16 COMMISSION CHAIRPERSON SHAPIRO: So wouldn't you
17 be better off, or wouldn't it be better to get those other
18 30 or 40 horses that aren't being able to get racing
19 opportunity to cut back to, let's call it, 12 races in a day
20 or night, and then you could fill a fourth day of racing,
21 which would help get all those other horses raced, which
22 would help the owners, and the trainers, and so forth, and
23 you could have four days of racing at this time.

24 Which, I mean, admittedly, we -- the harness
25 industry is certainly struggling, and the owners, and the

1 trainers, and the drivers are struggling, and the grooms.

2 So can you not go to four days a week?

3 MR. ELLIOTT: Our current license application has
4 us racing three days a week right now, as it is. If we were
5 to take those --

6 COMMISSION CHAIRPERSON SHAPIRO: Well, I have a
7 hunch that we could amend that.

8 MR. ELLIOTT: I would imagine you could.

9 COMMISSION CHAIRPERSON SHAPIRO: So let's say
10 we --

11 COMMISSIONER CHOPER: I think they provided for
12 that.

13 COMMISSION CHAIRPERSON SHAPIRO: Pardon me?

14 COMMISSIONER CHOPER: The financials provided for
15 it, they may come in and ask for changes.

16 COMMISSION CHAIRPERSON SHAPIRO: Right. So let's
17 say that we were to do that, what would not -- I mean,
18 again, I'm coming from a place of you have horses, you have
19 people that need to get raced, you have people that are
20 struggling for racing opportunity, why not take advantage
21 and race more to help everybody?

22 MR. ELLIOTT: The additional cost of racing a
23 Wednesday right now, right now, we would be on our own,
24 without Los Alamitos, we're going to -- we're going to make
25 that change in December/January -- actually, end of December

1 and in January, for the new meet.

2 It's 35 horses right now. What you're asking us
3 to do -- what you're asking us to do, we're taking 40 --
4 we're taking 43 races in one week and turning it in,
5 basically, to 47 races, and spreading it out.

6 COMMISSION CHAIRPERSON SHAPIRO: I understand what
7 I'm asking.

8 MR. ELLIOTT: That's right. We have an
9 overpayment right now of \$133,000 for our current meet right
10 now.

11 The reason I didn't ask this Board to race an
12 additional day at this time, handle -- Jim Perez will tell
13 you, Chris Ship will tell you that handle normally increases
14 in the January, February and March months.

15 Obviously, we're down 12 percent right now, just
16 like every other association is. I didn't see the sense,
17 frankly, in getting ourselves into a fourth day of racing,
18 over-paying purses, we over-pay purses every day. I
19 couldn't see the sense in over-paying purses for a fourth
20 day during the week, when the handle is as it is right now.
21 That's why I haven't solicited the Board.

22 COMMISSION CHAIRPERSON SHAPIRO: All right. But
23 if you didn't race on Wednesdays and you went to four days,
24 and to mirror -- how many days a week is Los Alamitos
25 running?

1 MR. ELLIOTT: Four.

2 COMMISSION CHAIRPERSON SHAPIRO: And what days are
3 they running?

4 MR. ELLIOTT: Thursday through Sunday.

5 COMMISSION CHAIRPERSON SHAPIRO: So if you
6 mirrored them, and so that you weren't on your own, and you
7 raced the same days or nights as they did, and if the
8 horsemen were willing to adjust the purse schedule so that
9 you weren't going into an over-payment but, instead, you
10 were providing more racing opportunity, more income back to
11 the horsemen -- again, these people need help. We're trying
12 to keep this industry alive.

13 And I'm questioning why there can't be, rather
14 than running 15 races in one night -- I understand your
15 issue. Isn't there a way to do this and go to the fourth
16 night?

17 MR. ELLIOTT: And that's our plan for -- that's
18 our plan for January. What we have done is --

19 COMMISSION CHAIRPERSON SHAPIRO: But you just said
20 that -- I mean, why not do it now?

21 MR. ELLIOTT: My answer, sir -- my answer, sir,
22 was we, right now, are in a \$133,000 over-payment. Every
23 single day we run, right now, we are in an over-payment.

24 We've already cut purses 15 percent since the
25 start of the meet to try to stop the bleeding. It has

1 stopped it somewhat.

2 Last week, or sorry, the week before last we only
3 had a \$7,000 over-payment, purses generated versus purses
4 paid.

5 COMMISSION CHAIRPERSON SHAPIRO: I understand
6 that. Okay, but if you could work with the horsemen on a
7 purse schedule, could you not then find a way to do this
8 that --

9 MR. ELLIOTT: We could. If we had another 15
10 percent decrease in purses, absolutely, we could race four
11 days a week, if they wanted to do that. Sure, we could.

12 COMMISSION CHAIRPERSON SHAPIRO: Okay.

13 COMMISSIONER CHOPER: How about just the
14 operational overhead of opening for another day.

15 MR. ELLIOTT: Yes, there's absolutely there's
16 additional overhead.

17 COMMISSIONER CHOPER: How much is that, I mean, do
18 you have it off the top of your head?

19 MR. ELLIOTT: Thirty-five, forty thousand a day.

20 COMMISSIONER CHOPER: Uh-hum. And that's not
21 peanuts, either, given the numbers you're talking about.

22 MR. PEREZ: Also -- I'm sorry, Jim Perez, CHHA.

23 The last purse cut, which was a few weeks ago,
24 Dave Elliott, from Cal-Expo, projected that the current
25 over-payment would hopefully be caught up due to the last

1 purse cut.

2 So we're assuming in December -- and being that
3 the purses were cut, and we cut them across the board, that
4 we would have the over-payment basically, hopefully, squared
5 by December.

6 MR. BENETO: That's something we don't want
7 to -- we don't want to get in that mode.

8 COMMISSION CHAIRPERSON SHAPIRO: Okay, you have to
9 state your name, Mr. Beneto.

10 MR. BENETO: Steve Beneto.

11 We don't want to get into that mode of over-
12 payment. The last operator, that's broken.

13 COMMISSION CHAIRPERSON SHAPIRO: No one is asking
14 you to get into that mode.

15 COMMISSION VICE CHAIRPERSON HARRIS: Well, it
16 sounds like you're already in that mode?

17 MR. BENETO: Yeah, we need to get out of it. I
18 just heard about it today and it kind of upset me.

19 COMMISSION VICE CHAIRPERSON HARRIS: Yeah. But I
20 mean, I think we need to give you the flexibility to do a
21 program that you feel best fits.

22 But I don't understand it, if you're going to race
23 three-day weeks versus four-day weeks, it seems like you'd
24 want to put your four-day weeks when you have better
25 weather, but it's the inverse. What is the logic of that?

1 MR. ELLIOTT: Well, the logic is, with all of
2 racing, February -- February, I believe anybody in this room
3 will tell you that January, February and March are very
4 decent betting months.

5 And for the harness industry, historically, have
6 been very, very good months.

7 Basically, you have the end of football seasons,
8 you're in the middle of NBA, before baseball season, things
9 of that nature.

10 January, February, March and April, historically,
11 have been very good wagering months for the harness
12 industry.

13 MR. BARTOSIK: Norb Bartosik, General Manager for
14 Cal-Expo. We'll sit down with the horsemen. If we can see
15 a way to do this, we'll try to make it work and get back to
16 your offices and let them know what's going on.

17 COMMISSION CHAIRPERSON SHAPIRO: All right, that's
18 all I'm asking for.

19 MR. ELLIOTT: Sure, sure.

20 COMMISSION CHAIRPERSON SHAPIRO: I recognize a
21 need, I recognize some desperation on some people's parts,
22 and I'm saying that -- I'm not asking you to go deeper in
23 the hole. But if there's a way to help people and not go
24 deeper in the hole, let's try to.

25 MR. ELLIOTT: Sure, happy to do it.

1 COMMISSION CHAIRPERSON SHAPIRO: Okay. Another
2 issue is the barn area. Last year, when you -- we heard
3 here, from the Thoroughbred Trainers, when they took over
4 the barn area, and I'm looking to make sure I say this
5 properly, that they entered into a barn area that was truly
6 deplorable.

7 And it's my understanding that when the harness
8 people vacated, and you have spend close to \$100,000, now,
9 in repairs.

10 My view is, and I don't know if you have a
11 horsemen's agreement in place, yet, but what about there
12 being a security deposit, so that some of the damage and
13 destruction, not normal wear and tear, but that protects
14 you?

15 Because I think that, you know, I am aware of what
16 some of the damage was. I think that the harness horsemen
17 have to be responsible that their people don't destroy the
18 barn area. It's wrong and it's unfair.

19 Have you considered a security deposit of some
20 sort?

21 Chairman Shapiro, the -- we have considered it
22 before, and SHA considered it and I don't believe they ever
23 made it happen, either.

24 But what we did have, as the trainer signed their
25 stall applications, they took responsibility for the

1 condition of their barns, accepting normal wear and tear.

2 And we do have the ability to charge trainers for
3 specific repairs to their barns, if they're flagrantly
4 messing their spaces up. We do have that ability.

5 We've never charged a security deposit, per se,
6 except for keys to tackrooms.

7 COMMISSION CHAIRPERSON SHAPIRO: All right. Well,
8 the point I'm trying to make is I don't know that the
9 individual trainers are sufficient enough, when you hear the
10 extent of the damage that was done to things that never
11 should have been damaged.

12 And my view is that that's CHHA's responsibilities
13 to oversee its members. And if necessary, I would encourage
14 you to make sure that this doesn't happen again, because
15 it's not fair to Cal-Expo, it's not fair to the thoroughbred
16 people that will come into those barns. And, frankly, we
17 need to care for these facilities and not let people destroy
18 them.

19 MR. PEREZ: We actually -- Jim Perez, CHHA. We
20 actually have that in the agreement, also. Just so you
21 know, our agreement was -- could have been done months ago.
22 We work well with Cal-Expo and we see no problem in getting
23 an agreement whenever you need it.

24 The problem you have with the -- I understand that
25 you want a backstretch clean, proper, and safe for

1 everybody. We were there for six years, five to six years
2 nonstop, without moving. Horsemen do get settled in, things
3 do happen.

4 Things that were broken, that shouldn't have been
5 broken, I'm unaware of. I don't know what was broken that
6 shouldn't have been broken.

7 But there is a lot of wear and tear. The stalls
8 are wood stalls.

9 COMMISSION CHAIRPERSON SHAPIRO: I'm not talking
10 about wear and tear. I'm talking about things on the roof.
11 When there's a solar system on the roof and they find tires,
12 and things broken up on the roofs of barns.

13 MR. PEREZ: We will address that with our
14 horsemen. That's not even an issue, that's absolutely
15 right.

16 COMMISSION CHAIRPERSON SHAPIRO: Okay. Okay, your
17 teletimer, is that -- is working and --

18 MR. ELLIOTT: We're on it, it's done.

19 COMMISSION CHAIRPERSON SHAPIRO: Okay. So but
20 there was a concession, you now own it, so it's in place.

21 MR. ELLIOTT: Yes, sir.

22 COMMISSION CHAIRPERSON SHAPIRO: Because we show
23 that your -- it was going to expire November 30th of this
24 year, that agreement with Pegasus.

25 MR. ELLIOTT: Oh, you mean -- that was the Pegasus

1 contract, they do our video, as well.

2 COMMISSION CHAIRPERSON SHAPIRO: Okay.

3 MR. ELLIOTT: They do our video.

4 COMMISSION CHAIRPERSON SHAPIRO: Has that been
5 renewed, is that in place?

6 MS. WAGNER: We have not received it, yet. We are
7 in contact with them.

8 COMMISSION CHAIRPERSON SHAPIRO: Okay, that is a
9 condition of this approval.

10 Okay. All right, anybody else have any questions,
11 comments?

12 COMMISSIONER CHOPER: I just have one. I notice
13 that you have agreements with all four ADW providers. They
14 cover both in-state and out-of-state betting?

15 MR. ELLIOTT: We're hopeful that will continue to
16 cover in-state and out-of-state betting.

17 COMMISSIONER CHOPER: So maybe you could tell us
18 what the secret is?

19 (Laughter.)

20 MR. ELLIOTT: Just, you know, I don't think we
21 even like being in front of the Board today. We're just
22 that gnat, you know, we're the little bitty gnat within the
23 industry. And, you know, we don't -- you know, our ADW
24 handle is not huge, huge numbers, but it does help us and it
25 does help the horsemen, of course.

1 COMMISSION VICE CHAIRPERSON HARRIS: But
2 your -- there's this host fee, what is your host fee with
3 ADW?

4 MR. ELLIOTT: I'd have to pull the sheet. I don't
5 know exactly what it is.

6 What the -- what you guys spent so much time on
7 today was obviously was Joe Smith, that lives in Chicago,
8 being able to bet on Hollywood Park.

9 Well, you know, our out-of-state export handle,
10 it's not real large, you know.

11 COMMISSIONER CHOPER: I understand. But,
12 nonetheless, their administrative costs are about the same,
13 I mean, you know, per bet, whatever.

14 MR. ELLIOTT: I can't answer, sir, I don't know.

15 COMMISSIONER CHOPER: No, I understand you can't.

16 COMMISSIONER ISRAEL: You're the last, best hope
17 for the insomniac, degenerate gambler who lives on the East
18 Coast.

19 (Laughter.)

20 MR. ELLIOTT: We do -- we do go late. We do go
21 late, yes.

22 MR. BARTOSIK: And, you know, most of our business
23 is done within that last 45 minutes.

24 MR. ELLIOTT: Right, 10:30 to midnight we're
25 great.

1 COMMISSIONER ISRAEL: Right, two o'clock in the
2 morning, yeah.

3 COMMISSIONER CHOPER: Is that right?

4 COMMISSION VICE CHAIRPERSON HARRIS: Yeah.

5 COMMISSION CHAIRPERSON SHAPIRO: Okay.

6 COMMISSION VICE CHAIRPERSON HARRIS: I have a
7 question. One issue I had, which I respect the fact that
8 harness racing has got a long history, and it's tough
9 financial times, now, for everybody, particularly harness
10 folks. But there is a law that, in effect, you have to pay
11 for certain charges to CHRB, if those are not paid through
12 sufficient license fees --

13 COMMISSION CHAIRPERSON SHAPIRO: Ah, good point.

14 COMMISSION VICE CHAIRPERSON HARRIS: -- because
15 the harness license fees are very low or nonexistent. So
16 there's charges -- expenses that CHRB incurs for drug
17 testing, and inspectors, and things like that.

18 COMMISSION CHAIRPERSON SHAPIRO: Yeah.

19 COMMISSION VICE CHAIRPERSON HARRIS: But,
20 basically, as I recall, you owe us quite a bit of money.

21 COMMISSION CHAIRPERSON SHAPIRO: No, no. Well,
22 no, no. Let's not mix that up.

23 They don't owe a lot of money.

24 COMMISSION VICE CHAIRPERSON HARRIS: Somebody
25 does.

1 COMMISSION CHAIRPERSON SHAPIRO: That would be
2 Sacramento Harness owes a lot of money.

3 However, let's put this into context. You, by our
4 approval of this license, I'm assuming that any deficit that
5 the CHRB incurs in terms of providing services to Cal-Expo,
6 are you in agreement that you will pay any deficit that we
7 get, that we incur from our operation in manning and
8 staffing of the meeting, both since you took over this
9 meeting and during this period of licensure.

10 MR. BARTOSIK: Well, let me just say that we're
11 going to work with you to make that work. What we'd like to
12 do is see what those numbers are.

13 We understand that there was an analysis done just
14 recently. We've just seen it. We'd like to sit down with
15 Director Breed and --

16 COMMISSION CHAIRPERSON SHAPIRO: No, you just have
17 to do what -- and we're going to double it.

18 (Laughter.)

19 COMMISSION CHAIRPERSON SHAPIRO: No, of course.
20 Of course.

21 COMMISSION VICE CHAIRPERSON HARRIS: But
22 you -- you were --

23 MR. BARTOSIK: Well, we'll come to some resolution
24 on how to make it work. We think that some of the numbers
25 may have -- we have some question about it.

1 COMMISSION CHAIRPERSON SHAPIRO: We want to make
2 sure -- you have every right to make sure the numbers are
3 correct, and if our numbers are wrong, we'll fix them.

4 But the point is that if there is a deficit that
5 the Board incurs in staffing and manning this race meeting,
6 I'm assuming that you will make up that deficit, which is a
7 net number after you pay your license fees.

8 MR. BARTOSIK: And we want to look at what year-
9 round numbers are created at Cal-Expo and, hopefully,
10 there's some credit that will be given for those as well,
11 because we're generating more in some of the other parts of
12 the year, from the thoroughbred meeting, as well as
13 satellite.

14 And so we'd like to just sit down and work it out.

15 We will stand behind what our business operation
16 is, but we'll work through it.

17 COMMISSION VICE CHAIRPERSON HARRIS: Well, I think
18 the harness meeting has to stand on its own, you can't take
19 other -- the State Fair meeting is a little different.

20 But I was hopeful that you would have been getting
21 some billing, you know, fairly periodically, but this hasn't
22 happened?

23 MR. BARTOSIK: We're just looking at the numbers.

24 EXECUTIVE DIRECTOR BREED: It never has happened,
25 going back to SHA and Capitol Racing, they were never

1 billed, that I can find.

2 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, well,
3 we need to start that. Because I get tired of hearing we
4 want to sit down and talk about it and nothing ever happens.

5 MR. BARTOSIK: Well, we'll come to a resolution.
6 Cal-Expo will move forward, try to make this work, and we
7 will be back talking to you, again, about it.

8 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, I can
9 see it's got to be fair.

10 MR. BARTOSIK: Exactly.

11 COMMISSION VICE CHAIRPERSON HARRIS: And there
12 could be disputes on exact numbers.

13 But could we get a report in the next two or three
14 weeks of exactly where this is, and how much money we're
15 talking about?

16 MR. BARTOSIK: Yeah.

17 COMMISSION VICE CHAIRPERSON HARRIS: And, you
18 know, because this meeting -- you've got the meet we're
19 approving, now, but you also have the one that occurred
20 previously in '08. And so that, whatever it is, it is.
21 There may be a dispute on what got included, but there's
22 definitely a number out there and we need to get our arms
23 around that.

24 MR. BARTOSIK: Right. We'll sit down with Kirk
25 and work it out.

1 COMMISSION CHAIRPERSON SHAPIRO: All right. But
2 I'm trying to get it on the record, and that it's very
3 clear, that you will, after you've had time to verify and
4 gone through the numbers, once there's an agreement on what
5 the numbers are, that you will, of course, make up any
6 shortfall that's due the State of California.

7 MR. BARTOSIK: If we have an obligation to you,
8 we'll pay it.

9 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

10 COMMISSION VICE CHAIRPERSON HARRIS: Well, let's
11 get -- sometime, prior to the next meeting, let's not just
12 have this -- our arms around what we're talking about. Is
13 there a dispute, and how much money there is and --

14 COMMISSION CHAIRPERSON SHAPIRO: I think you just
15 instructed staff to do that.

16 EXECUTIVE DIRECTOR BREED: We'll get it done.

17 COMMISSION VICE CHAIRPERSON HARRIS: Oh, okay.
18 Well, I was just seeing -- I mean, there's no doubt about it
19 that the --

20 COMMISSION CHAIRPERSON SHAPIRO: Does anybody have
21 a doubt that he wants it by the next meeting, because I
22 think he wants it and I agree.

23 COMMISSION VICE CHAIRPERSON HARRIS: I have
24 a -- I've got a suicide bomber hired to come up to your
25 office --

1 (Laughter.)

2 MR. BARTOSIK: Commissioner Harris, we will be
3 back here before you're talking about it again, okay.

4 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you.
5 All -- wait a minute, no, no, I need a motion to approve
6 this license. Is there a motion?

7 COMMISSIONER ISRAEL: So moved.

8 COMMISSION CHAIRPERSON SHAPIRO: Second?

9 COMMISSION VICE CHAIRPERSON HARRIS: Second.

10 COMMISSION CHAIRPERSON SHAPIRO: Second.

11 All in favor?

12 (Ayes.)

13 COMMISSION CHAIRPERSON SHAPIRO: Good racing.
14 Starter calls for the pacers.

15 MR. BARTOSIK: Thank you, Mr. Chairman.

16 MR. KEMP: Mr. Chairman, real quick, just a
17 question. You have this distinguished panel here --

18 EXECUTIVE DIRECTOR BREED: State your name?

19 MR. KEMP: My name is Doug Kemp, from Local 289.

20 I just want to make sure that we're all on the
21 same page. We are going to race Wednesday night, before
22 Thanksgiving; is that correct?

23 MR. BARTOSIK: That's correct.

24 MR. KEMP: Well, that's great. You got a hundred
25 customers here, so I just wanted to make sure everybody knew

1 that.

2 COMMISSION CHAIRPERSON SHAPIRO: Great, thank you.

3 Okay, I'm trying to do some timing here. Where's
4 Dr. Arthur? Are we on at 11:30?

5 EQUINE MEDICAL DIRECTOR ARTHUR: Correct.

6 COMMISSION CHAIRPERSON SHAPIRO: Okay. Okay, at
7 11:30 we are going to have the item which is the Equine -- I
8 don't know which item it is here but --

9 MS. WAGNER: Sixteen.

10 COMMISSION CHAIRPERSON SHAPIRO: Sixteen. Item 16
11 will be heard at 11:30, so I'm trying to juggle that.

12 Okay, Item Number 6, public hearing and action by
13 the Board on the proposed addition of CHRB Rule 2066,
14 application for license to operate a minisatellite wagering
15 facility, to provide an additional 15 minisatellite wagering
16 facilities in each California racing zone.

17 This matter previously came before the Board. I
18 believe that there is both the application and the proposed
19 rules, there's two forms to the rules.

20 Jackie, why don't you introduce this item, okay.

21 MS. WAGNER: Good morning, Jackie Wagner, CHRB
22 staff. The proposal to add Rule 2066 will add to the
23 Board's rules the rule that will govern the addition of the
24 minisatellite wagering facilities.

25 We have developed this language in conjunction

1 with the industry.

2 What you have before you is the text, as well as
3 the application process.

4 It has been noticed for 45 days, for the public
5 comment period. During that comment period we did receive
6 one comment from Rod Blonien, on behalf of the Card Room,
7 and he made suggested language that had to do with the
8 disclosure statement, the full disclosure statement that is
9 required from an application.

10 And his suggestion is that the requirement for the
11 extensive personal information -- let me back up. Card
12 rooms are currently undergoing an extension investigation by
13 the Attorney General for the California Gambling Control.

14 And his suggestion is that language be added to
15 the rule to give the Board the authority to waive the
16 requirement for this extensive information if individuals
17 have already been licensed, and have gone through the
18 licensing process by a State gambling agency, which would be
19 the Gambling Control.

20 In addition, this morning, I do have
21 representatives from the California Gambling Control
22 Commission, who have also submitted additional comments for
23 this proposal, and they will be incorporated in Text B, of
24 your package.

25 And the new language would say, "upon the written

1 request of the applicant, the Board may waive the
2 requirement for submission of a full disclosure statement
3 and the CHRB 25-A, for persons who have a current, valid
4 State gambling license and are find to have suitability,
5 issued by the California Gambling Control Commission."

6 Basically, what this is saying is that the Board
7 will accept the licensing from entities that have undergone
8 the background pursuant to the California Gambling
9 Commission.

10 Staff would recommend that the board adopt this
11 particular suggestion to this language, and instruct this to
12 go out for another 45 days.

13 COMMISSION CHAIRPERSON SHAPIRO: So, essentially,
14 then, and I concur with what you're saying, we would be
15 looking at Text B, as further amended by what the
16 recommendations of the Gaming Control Commission would be,
17 is what you're suggesting?

18 MS. WAGNER: That's right.

19 COMMISSION CHAIRPERSON SHAPIRO: Okay.

20 COMMISSION VICE CHAIRPERSON HARRIS: If
21 we're -- and I'd like to get the darn thing done. But if we
22 are going to make changes and go back out, I was also
23 wondering about this fee of \$75.00 seems pretty low to get
24 one of these licenses, when owners and trainers are like
25 150, I think.

1 I mean, why was it -- why did we pick \$75 as a
2 fee? It would seem like it would be a fairly expensive
3 thing to process.

4 MS. WAGNER: I believe, if my memory serves me,
5 when we had the discussion with the industry, we did not
6 want to make the fee too onerous on the applicant.

7 We're looking at, depending on who the applicant
8 will be, it could be a card club, it could be a restaurant,
9 it could be a sports bar and grill. And so I believe that
10 was the reason why we came up with the \$75.

11 COMMISSION VICE CHAIRPERSON HARRIS: Well, I don't
12 know what the right number is, but I think it ought to be
13 250 or something.

14 MS. WAGNER: Absolutely. That is certainly up to
15 change. If we want to impose a different fee, we can
16 certainly do it, and now would be the time to do that.

17 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, I
18 suggest we change that.

19 COMMISSIONER MOSS: Can I ask, has anybody applied
20 for a license to operate a minisatellite wagering facility,
21 as yet?

22 MS. WAGNER: They have not, because we have not
23 completed the process. But I do understand that there are
24 people out there waiting for the process to be completed,
25 for the application to be approved and ready to go.

1 COMMISSIONER MOSS: With the 20-mile limitation,
2 that whole situation?

3 MS. WAGNER: I have not seen the applicants, so
4 I'm not sure.

5 COMMISSIONER ISRAEL: Can I ask, how long is the
6 Gambling Commission license good for?

7 COMMISSION CHAIRPERSON SHAPIRO: Well, can I make
8 a suggestion? We have somebody here, Tina Littleton?

9 MS. LITTLETON: Yes.

10 COMMISSION CHAIRPERSON SHAPIRO: Hi, Tina.

11 MS. LITTLETON: Hi.

12 COMMISSION CHAIRPERSON SHAPIRO: Tina, do you want
13 to -- since you came from the California Gambling Control
14 Commission, perhaps you can come down and answer
15 Commissioner Israel's comments and also --

16 COMMISSIONER ISRAEL: I'll repeat the question.
17 How long is your license good for and how often do you re-
18 examine the individuals or entities licensed?

19 MS. LITTLETON: Again, my name is Tina Littleton,
20 with the California Gambling Control Commission.

21 And we issue two-year licenses right now. And we
22 renew every two years. And our application fees are \$500
23 application fees.

24 COMMISSIONER ISRAEL: Five hundred dollars.

25 MS. LITTLETON: Yes.

1 COMMISSIONER ISRAEL: Wow.

2 MS. LITTLETON: And that's not including a
3 background fee that the Department of Justice charges to
4 conduct a background.

5 COMMISSIONER ISRAEL: What does that cost?

6 MS. LITTLETON: It varies on the complexity of the
7 background. It could be anywhere from -- I think they
8 originally accept \$750 with the application, and then it
9 could go up to \$2,000 to \$5,000, depending on the complexity
10 of the background.

11 COMMISSIONER CHOPER: Do we have a background
12 investigation fee?

13 MS. WAGNER: No, we don't. We do not currently
14 charge that. That's absorbed in our budget, the California
15 Horse Racing Board's budget.

16 I believe, statutorily, the Gaming Control
17 Commission, statutorily, has the fee structure in their law
18 to charge that.

19 MS. LITTLETON: Correct.

20 MS. WAGNER: Which we do not.

21 COMMISSIONER ISRAEL: And so if an individual, who
22 isn't previously licensed by them, applies for one of our
23 licenses, we will defer to them to do the background check,
24 is that how it's going to work?

25 MS. WAGNER: Only if the entity is licensed by

1 them previously. We're not deferring to them.

2 COMMISSIONER ISRAEL: Okay. If the entity
3 is -- let's say Joe Smith, who's not licensed by them,
4 applies for one of these licenses, how then does it work?

5 MS. WAGNER: They would go under our CHRB
6 investigators.

7 COMMISSIONER ISRAEL: And it's -- and
8 it's --

9 COMMISSIONER CHOPER: It's gratis.

10 COMMISSIONER ISRAEL: And it's gratis.

11 MS. WAGNER: It's gratis. We do not charge a fee
12 for that.

13 COMMISSIONER ISRAEL: Well, can we -- that's
14 foolish.

15 (Laughter.)

16 COMMISSIONER ISRAEL: Clearly.

17 COMMISSION CHAIRPERSON SHAPIRO: We would agree.

18 MS. WAGNER: Again, statutorily, they have the
19 ability to do that.

20 COMMISSIONER ISRAEL: And we don't?

21 MS. WAGNER: It's not specific in the statute.
22 I'm sure it's something we can probably investigate and see.
23 And right off the top, I would have to defer to our counsel
24 and we can look at that.

25 COMMISSIONER ISRAEL: Can we charge, Counsel?

1 STAFF COUNSEL MILLER: Not at this time, there's
2 no regulation in place.

3 COMMISSION VICE CHAIRPERSON HARRIS: But it could
4 be part of a license fee, though.

5 COMMISSION CHAIRPERSON SHAPIRO: No. We could
6 charge a license fee commensurate with it, which includes a
7 background.

8 COMMISSIONER ISRAEL: And our Board has the right
9 to determine the license fee?

10 COMMISSION CHAIRPERSON SHAPIRO: Yes.

11 MS. WAGNER: Correct.

12 COMMISSION CHAIRPERSON SHAPIRO: So the answer is
13 yes.

14 COMMISSIONER ISRAEL: But then the problem arises,
15 what if we reject the applicant, because there's no license
16 fee, so then we will have gone through that, found them
17 wanting, and they get off scott free.

18 COMMISSION CHAIRPERSON SHAPIRO: Well, keep in
19 mind, I don't think we're talking about great volumes here,
20 since we're talking about 15 in each zone --

21 COMMISSIONER ISRAEL: Given what's going on the
22 State, every \$500 counts.

23 COMMISSION CHAIRPERSON SHAPIRO: I'm not
24 disagreeing. Yeah.

25 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, no, I

1 think it should be 500. Most of them are going to probably
2 be card rooms, who will meet the other criteria, anyway.

3 COMMISSION CHAIRPERSON SHAPIRO: Right.

4 COMMISSION VICE CHAIRPERSON HARRIS: But 500 seems
5 like a reasonable number and would at least cover part of
6 our costs.

7 COMMISSION CHAIRPERSON SHAPIRO: Well, rather than
8 going through a whole process, we have the ability to set
9 the fee, the license fee.

10 COMMISSIONER ISRAEL: Let's do that.

11 COMMISSION CHAIRPERSON SHAPIRO: So I would
12 recommend that we do charge a minimum \$500 fee, and for
13 anybody that wishes to be licensed, maybe we can make it a
14 nonrefundable license fee --

15 COMMISSIONER ISRAEL: A nonrefundable application
16 fee, there you go.

17 COMMISSION CHAIRPERSON SHAPIRO: And with the
18 application. Then we're covered and we don't then have to
19 go through that. We do do a background check, and so forth.

20 I do agree --

21 COMMISSIONER ISRAEL: And then if the
22 application's approved, it can be applied against the
23 thousand dollar license fee. How's that.

24 COMMISSION CHAIRPERSON SHAPIRO: Okay. You make
25 recommendations, since we're going to come back here.

1 COMMISSION VICE CHAIRPERSON HARRIS: Just keep in
2 mind, the way these things are going to work, though,
3 they're going to be kind of part of SCOTWINC, I guess. I
4 mean, it's not like these guys are really going to be
5 custodians of the money. You know, really, it would be part
6 of the SCOTWINC domain.

7 MS. WAGNER: That is correct. SCOTWINC or the
8 simulcast organization will be actually running the show, so
9 to speak.

10 COMMISSION VICE CHAIRPERSON HARRIS: Yeah.

11 MS. WAGNER: All of the equipment and the things
12 that are necessary to --

13 COMMISSION CHAIRPERSON SHAPIRO: Yeah, but who's
14 getting the fees?

15 MS. WAGNER: The fees will go to the State of
16 California.

17 COMMISSION VICE CHAIRPERSON HARRIS: Which fees.

18 COMMISSION CHAIRPERSON SHAPIRO: The license fees.

19 MS. WAGNER: The license fees.

20 COMMISSION VICE CHAIRPERSON HARRIS: The license
21 fees. The fees -- whoever's gotten this card room, or bar,
22 or whoever it is, his profit structure will be the two
23 percent --

24 MS. WAGNER: Correct.

25 COMMISSION VICE CHAIRPERSON HARRIS: -- he's going

1 to get two percent of the wagers.

2 COMMISSION CHAIRPERSON SHAPIRO: Correct, and that
3 goes through the SCOTWINC, I agree.

4 COMMISSIONER ISRAEL: Their real benefit is
5 they're driving customers -- they're giving customers a
6 benefit and they're driving alcohol sales, and food sales,
7 and that's where they're going to make their big money. So
8 for them, getting this license is a relatively inexpensive
9 marketing.

10 COMMISSION CHAIRPERSON SHAPIRO: Well, let me
11 correct you. There's no big money. That's the problem
12 here.

13 The problem here, and I think Mr. Blonien will
14 probably, maybe you can comment, I don't think there's any
15 big money here at two percent, which is part of the problem.

16 MR. BLONIEN: Well, it is, if you're selling a
17 beer for eight bucks.

18 COMMISSION CHAIRPERSON SHAPIRO: Okay.

19 MR. BLONIEN: In sports, the concession business
20 is where the profit is.

21 COMMISSION CHAIRPERSON SHAPIRO: Okay. But
22 getting --

23 COMMISSION VICE CHAIRPERSON HARRIS: It's sort of
24 like found money, maybe.

25 COMMISSION CHAIRPERSON SHAPIRO: But getting to

1 Commissioner Moss's concerns, I think, and you can
2 articulate them yourself, which is that at two percent it is
3 a heavy investment for somebody to make, if they're only
4 going to get two percent.

5 And what we have to deal with is the 20-mile
6 radius issue.

7 Because the way it's now structured, if you take
8 those 20-mile circles, you'll find that somebody's 18.6
9 miles away from a track, or a fair, or something, and it's
10 hard to find places to put this that makes sense.

11 COMMISSION VICE CHAIRPERSON HARRIS: Well, they
12 can get a waiver on it. With consent, they can do that.

13 COMMISSION CHAIRPERSON SHAPIRO: But people don't
14 give the waiver, that's the problem.

15 COMMISSION VICE CHAIRPERSON HARRIS: Well, it
16 hasn't been asked, yet.

17 COMMISSION CHAIRPERSON SHAPIRO: No, it has been
18 asked.

19 COMMISSIONER MOSS: There hasn't been any waivers.
20 And I agree with the Chairman, you know, two percent is not
21 very good and the 20-mile limitation is just going to
22 strangle this whole procedure.

23 So I gather you do have some people waiting in the
24 wings -- Ms. Wagner said there's some.

25 MS. WAGNER: I've heard that -- I've heard that

1 they're waiting.

2 COMMISSIONER MOSS: There are. So why don't we
3 pass this thing and see what sort of operations have, you
4 know, tried to get into this program, and then take another
5 look at it and see how we can change the rules.

6 COMMISSION CHAIRPERSON SHAPIRO: I agree with
7 that. And that would be my recommendation, is that we move
8 forward with Text B.

9 Unfortunately, we have to go back out for public
10 comment. Let's do it, let's fast-track it, let's
11 incorporate the changes to the thing that we have
12 from -- that will work with the California Gambling Control
13 Commission.

14 Let's increase the fees to a structure
15 that -- Commissioner Israel, would you -- we're at \$500. If
16 you have any other suggestions, would you please provide
17 them to Jackie? Thank you.

18 COMMISSIONER ISRAEL: A \$500 nonrefundable
19 application fee.

20 COMMISSION CHAIRPERSON SHAPIRO: Okay.

21 COMMISSION VICE CHAIRPERSON HARRIS: Can we fast-
22 track these where we can approve the final version on our
23 December meeting?

24 COMMISSION CHAIRPERSON SHAPIRO: How's she going
25 to get the notice?

1 MS. WAGNER: I have to notice it. It will depend
2 on --

3 COMMISSION VICE CHAIRPERSON HARRIS: I think there
4 were ways to do a 15-day notice.

5 MS. WAGNER: It will depend on the structure of
6 the changes or the comments.

7 But I will do what I can. If the comments are
8 considered nonsubstantial, we can go for a shorter comment
9 period. And if that's the case, we may be able to have it
10 back before the 4th for adoption.

11 COMMISSIONER CHOPER: Before we --

12 COMMISSIONER ANDREINI: Mr. Chairman? Mr.
13 Chairman? I wonder, who is going to step up and -- if this
14 Mr. Smith is going to come up, why would he put a lot of
15 money into this facility if the license is only for two
16 years?

17 I mean, why can't we make the license longer?

18 MS. WAGNER: I believe the law put the two-year
19 minimum on the license.

20 COMMISSIONER CHOPER: Yeah, before we fix on the
21 fee, I think we ought to hear from Mr. Blonien, to determine
22 what impact this might have on anyone putting in an
23 application. Because, while it's true, I guess another 250,
24 or whatever doesn't sound like much, nonetheless, we don't
25 want to discourage anybody, whom we want, from making such

1 an application.

2 MR. BLONIEN: Good morning, Mr. Chairman, Members,
3 Rod Blonien on behalf of Los Alamitos, and Hollywood Park,
4 and the Commerce Club, and Lucky Chances.

5 I have the two -- the largest card club in
6 Southern California, that is interested in becoming a
7 minisatellite, the Commerce Club. And I have the largest
8 card club in Northern California, Lucky Changes, interested
9 in becoming a minisatellite.

10 In both instances, they are going to make changes
11 to their structure. Probably, in terms of the Commerce
12 Club, it will be over a couple hundred thousand.

13 And Lucky Chances is probably a hundred thousand.

14 COMMISSIONER CHOPER: Where is Lucky Chances?

15 MR. BLONIEN: Lucky Changes is in Colma.

16 COMMISSIONER CHOPER: Colma.

17 MR. BLONIEN: Just over the border from the San
18 Francisco County line.

19 COMMISSIONER ISRAEL: Where the cemetery is?

20 MR. BLONIEN: Yes, where the cemetery's are. and
21 they do very well.

22 COMMISSIONER CHOPER: Those people vote, maybe
23 they can bet.

24 (Laughter.)

25 MR. BLONIEN: In addition to that, I have two

1 other entities that are mulling it over and are willing to
2 do it for two percent.

3 The Commerce Club, initially, didn't want to do it
4 for the two percent, but I told them that perhaps, in the
5 next year, we can perhaps work something out where we can
6 get something more than two percent.

7 Mr. Moss has encouraged the industry to find a way
8 to increase it above two percent. The problem we face is
9 that if the minis get more than two, then the regular
10 satellites want more than two.

11 And so then you need to take some money away from
12 someone else, or increase the takeout and, you know, that
13 isn't appealing to anyone.

14 So we're going to try to get together, have a
15 meeting, and figure out if there's another way to create
16 some additional funding.

17 Ron Charles has worked in the Los Angeles area,
18 tried to find some investors in the valley, who'd be willing
19 to build a facility, or remodel a facility, but the two
20 percent has stopped them from moving forward with that.

21 And so, clearly, if we could get something more
22 than two percent, we can hopefully get more of these open
23 and become a reality.

24 And I think we all agree, looking at what's
25 happened with the handle in the last three months, we really

1 need to do something to make our product more accessible to
2 the public.

3 COMMISSIONER CHOPER: What about the fee?

4 MR. BLONIEN: Well, the fee isn't a problem. And
5 to commissioner Andreini's issue, the two years, I put that
6 in and I thought we had a situation where we initially
7 licensed 15 in the Central -- 15 minisatellites in the
8 Central Zone, and if we found that two or three of them
9 really weren't making it, that it would give us an
10 opportunity at relicensing, and saying, hey, we're not going
11 to relicense you because we've got an application from
12 someone else, another location that we think is going to be
13 much better.

14 So I didn't want to tie the hands of the Board and
15 give the license to X, and five years later have X still
16 have the license and not be performing all that well.

17 But I'm thinking that if that's an issue that
18 you'd like me to address, and I'd certainly be willing to
19 address the issue of being able to charge for background
20 investigation fee.

21 I'm going to have to do an urgency bill, anyway,
22 to address some issues relating to the harness industry and
23 quarter horse industry, we can just put this in and take
24 care of it at the same time.

25 COMMISSIONER MOSS: What is your feeling about the

1 20-mile limit, then?

2 MR. BLONIEN: Well, I wish -- I have to tell you,
3 you know, Ron Charles and Doc Allred have been very
4 almost -- and Jack Liebau, too, have been very willing to
5 waive the 20-mile radius in the Los Angeles area, for the
6 Commerce Club.

7 And Doc has said that even for the Hawaiian
8 Casino, which is less than five miles away, that he'd be
9 willing to waive it. But it's a tough issue for a lot of
10 the fairs.

11 And, you know, I've been talking to Chris and he's
12 agreeable to working, and leaning on some fair managers to
13 waive the 20-mile radius.

14 We should look at shrinking that, but it is not an
15 easy issue for the fairs.

16 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you,
17 Mr. Blonien.

18 MR. BLONIEN: You're welcome.

19 COMMISSION CHAIRPERSON SHAPIRO: That being said,
20 then, I would entertain -- I think we -- I don't know if I
21 did it or not. I'd like a motion to approve this as
22 discussed>

23 COMMISSIONER ANDREINI: So moved.

24 COMMISSION CHAIRPERSON SHAPIRO: It's moved.

25 Second?

1 COMMISSION VICE CHAIRPERSON HARRIS: Second.

2 COMMISSION CHAIRPERSON SHAPIRO: All in favor?

3 (Ayes.)

4 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you.

5 COMMISSIONER CHOPER: What is the figure we just
6 approved?

7 COMMISSION CHAIRPERSON SHAPIRO: It was \$500.

8 MS. WAGNER: It's \$500.

9 COMMISSION CHAIRPERSON SHAPIRO: Yes. Okay, now,
10 we are --

11 MR. KORBY: Mr. Chairman?

12 COMMISSION CHAIRPERSON SHAPIRO: Yes.

13 MR. KORBY: Mr. Chairman, Chris Korby, California
14 Authority of Racing Fairs.

15 I'd like to address the Board very briefly on a
16 peripheral, but related matter.

17 When the industry got together to discuss the
18 regulations that would apply to the minisatellites, one of
19 the things we would discuss was whether or not there would
20 be a regulatory review of the regulations that applied to
21 the existing satellites.

22 Those regulations have been in place for 20 years,
23 in some cases, and they really need to be overhauled.

24 I would ask the Board -- the staff was agreeable
25 to this, and I think the Board is, I'd just like to remind

1 the Board and the staff about that, and ask the Board to
2 direct the staff to work with the same industry group that
3 brought forward these minisatellite plans to look at a
4 review of the regulatory regime that applies to the existing
5 satellites, so that everyone is on an equal playing field.

6 COMMISSION CHAIRPERSON SHAPIRO: That's fine. I
7 don't think we have a problem with that, and we'll ask staff
8 to do so.

9 MR. KORBY: Thank you.

10 COMMISSION CHAIRPERSON SHAPIRO: Thank you, Mr.
11 Korby.

12 COMMISSION VICE CHAIRPERSON HARRIS: It seemed
13 like that should really originate from the satellite. I
14 think it -- send us a markup of something of what they think
15 would be a better regulation.

16 MR. KORBY: Can do. Thank you.

17 COMMISSION CHAIRPERSON SHAPIRO: Okay, we are now
18 going to take a 15-minute break, so that we can come back
19 and with our medical presentations, which will commence
20 immediately after the break, which is Item Number 16.

21 (Off the record.)

22 COMMISSION CHAIRPERSON SHAPIRO: Okay, we'll bring
23 the meeting back to order. Apologize that it went a little
24 bit longer.

25 At this point I would like to -- we have an

1 esteemed panel of veterinarians, and others here, from the
2 University of California, at Davis.

3 I hope everybody will -- Commissioner Israel, I
4 want you to hear this because this is good stuff coming.

5 COMMISSIONER ISRAEL: Okay.

6 COMMISSION CHAIRPERSON SHAPIRO: The work that's
7 done here is absolutely amazing, and it's very interesting.

8 And Dr. Arthur has put together a presentation
9 here, which will be educational and insightful to all of us
10 for the future of our game, and our horses.

11 And so, Dr. Arthur, would you please lead this?

12 EQUINE MEDICAL DIRECTOR ARTHUR: Certainly. Thank
13 you, Mr. Chairman.

14 The racing industry sees Dr. Stover, Dr. Stanley,
15 and myself quite frequently. But there's a whole team here,
16 at UC Davis Veterinary School, and in the entire school that
17 assists horseracing, and we just want to allow the industry
18 to see some of the other people who are working on projects
19 for them. It's a rather extensive effort.

20 And Dr. Pascoe will lead off with this panel.

21 DR. PASCOE: Thank you, Chair Shapiro,
22 Commissioners. I'm John Pascoe, Executive Associate Dean of
23 the School of Veterinary Medicine, and it's my pleasure to
24 welcome you here, to the Davis campus.

25 We highly value the relationship that we have the

1 the California Horse Racing Board.

2 As you all know, we have contractual arrangements
3 between the school and the Board for drug testing. But
4 beyond that, we work as a team, as a partnership to try and
5 develop solutions that benefit horses, the welfare of horses
6 and racing in general.

7 Dr. Greg Ferraro, who's known to a number of you,
8 is the Director of our Center for Equine Health, a racetrack
9 practitioner for many years in Southern California, and
10 leads the Center, which is a group of faculty who are very
11 committed to developing new solutions for problems that
12 horses in general face and, also, working with us to improve
13 the welfare of racing horses.

14 There are a number of individuals who have been
15 intimately involved with the school. Vice Chair Harris, Joe
16 Harper, who I saw in the audience, Sherwood Chillingsworth,
17 in the Oak Tree Racing Association, have been absolutely
18 instrumental in both their personal support and
19 organizational support to underwrite a lot of the research
20 that we do.

21 And what I'd like to do is just introduce a few
22 folks this morning. We have many, many more who work on
23 problems associated with racing.

24 And I have three individuals, out of our faculty,
25 that I've asked to share some of the things that they're

1 doing, that are specifically of interest to the CHRB.

2 And so the first person I'd like to introduce is
3 Dr. John Madigan, who's a Professor of Internal Medicine.
4 And I could tell you a lot of different things about him,
5 he's pioneered a lot of very different things.

6 But his current area of interest, and one that's
7 directly related to you, is disaster preparedness. And he
8 plays a very vital role in the State for all animal
9 emergencies, but he's going to just reflect today on
10 racetrack disaster preparedness and emergencies.

11 John.

12 DR. MADIGAN: Well, thanks very much. I don't
13 have a microphone here so I hope everybody -- can you hear
14 me in the back?

15 The first item that -- with the time constraints,
16 I'm going to move fairly quickly through the overview and
17 then I'll be here, in the hallway, afterwards, if anybody
18 would like to talk a little bit more about any of these
19 topics.

20 But Rick Arthur asked that we participate in
21 developing a racetrack plan, a disaster plan, one that could
22 be set up each time a meet occurred. And so we've taken
23 that task up and we have a template for plans of what to do
24 in the event of fire and, of course, fire prevention
25 strategies, flood, earthquake.

1 The use of racetracks to evacuate the facilities
2 for other State-declared or county disasters that might
3 occur. With the Southern California fires, for example,
4 several fairgrounds and other facilities had their
5 populations go up by 1,500, 2,000 horses as a means of
6 housing animals -- thank you very much -- as a means of
7 housing animals in a disaster.

8 Loss of power, associated with earthquake, how
9 would the animals be watered and handled.

10 And then, also, infectious disease outbreak.

11 And so the fire evacuation needs, they need to be
12 rapid and access to evacuated areas, and so the plan
13 includes templates on how to do that and sets up
14 responsibilities that the racetrack personnel can then fill
15 out at the start of a meet, and then as a resource guide to
16 them.

17 Effective evacuation saves lives. In Southern
18 California, we've had a lot of practice with this. So even
19 without knowing where you're going to go, the horses are led
20 out of harm's way, and that's been very effective in
21 preventing burns and injuries to horses.

22 We also have flood issues. I don't know whether
23 the lights can dim a little bit for the view on there? I
24 suppose I have it right in front of me.

25 So floods that might affect racetracks, and then

1 also movement of horses. And we've been involved with that
2 aspect. And so floods are considered in the plan.

3 And then a very important area is the biosecurity.
4 In working, again, with Rick Arthur and then private
5 industry, we've created a booklet that's now in a template
6 form. It's going to get beta tested. Some of you in the
7 room, we hope, will look at it, see what's useful, what
8 could be added to it, what could be changed, and then they'd
9 distributed.

10 Also, posters and plans. So this is just an idea
11 of the biosecurity, reminding people that each stable should
12 involve some degree of biosecurity, and we have a low risk
13 situation all the time, medium risk, and high risk, designed
14 to keep animals healthy.

15 This is just a template. Fort Dodge is paying for
16 the production of this and it's done in cooperation with UC
17 Davis.

18 So what does it mean when you have a medium risk,
19 that's a couple horses with a fever, in the shedrow, or a
20 potential problem, and then some guidelines for protective
21 boots and clothing, and then how you do that when you're
22 approaching the horse.

23 And then if we have something like a confirmed
24 herpes outbreak, or other highly contagious, higher
25 implication disease, then how you would set up an isolation

1 facility.

2 We have these posters in that say, gee, I remember
3 reading this on the web. Everything's on the web these
4 days. And then trying to remember it, when you have to use
5 it, is the challenge.

6 And so these will be posters that will be in the
7 barn area. They'll be in English and in Spanish. And they
8 will describe what the ingredients of a low-risk,
9 biosecurity, not sharing buckets, and taking temperatures on
10 horses, and who to report them to. And then the medium risk
11 and high risk situation.

12 And so we think these will be useful and helpful
13 at the track.

14 And the booklet, then, would be a separate item, a
15 small, go in the glove box, and would tell you certain
16 things, how to set up an isolation, how to move a
17 potentially infectious recumbent horse, so that the people
18 handling it then don't go back to their animals and spread
19 virus.

20 Disinfection guidelines, how you mix them, how you
21 disinfect a stall with a dirt bedding, how you disinfect a
22 trailer. Personal biosecurity, handwashing tack, sharing
23 buckets, et cetera.

24 And then as a guide, where the tests that are
25 needed to investigate a potential biosecurity infectious

1 risk, where the samples can be sent, and where to find more
2 information on specific areas of interest.

3 So all in the little booklet, available to use, in
4 English and in Spanish, and that's being produced.

5 Moving along, the other thing that I think may
6 impact horses while they're on the roadways, is we've
7 started an emergency services protocol and fund, similar to
8 what they're doing in Britain.

9 And this is designed to coordinate and train fire
10 departments in how to approach an over-turned horse trailer,
11 or a horse van, so that the proper things are done to
12 mitigate injury to the horses and personnel.

13 We have training going on for that in different
14 counties.

15 A variety of circumstances occur, you cannot -- I
16 don't have to tell the horsemen in the room that certain
17 things are unpredictable, but they certainly can be on the
18 roadway.

19 And in this instance with a downed horse, that's a
20 contagious downed horse, that's a horse with a herpes I
21 infection, and so how you'd handle that.

22 All those would be in the protocol, and then how
23 to assist a veterinarian and a fire department, working
24 together.

25 Because a lot of accidents occur on the roadway.

1 And just by having some training and a coordinated response,
2 we have a better outcome. And we're working on doing that,
3 going to different departments.

4 The idea is that it would support an integrated,
5 coordinated emergency response by training veterinarians and
6 fire department personnel.

7 So a 911 call would kick this off. Highway Patrol
8 would have their protocols right in the computer. If it's
9 horses, turn your sirens off, and all those kinds of simple
10 things that may be helpful. And then how to get other
11 trailers to the scene.

12 And so I'm going to -- in going through that,
13 we're training at school, so here's a client that left their
14 trailer a little longer than they should have, in the client
15 parking lot that we use.

16 I'm only kidding.

17 So this is a little special trailer with
18 the -- you see the guard on the bottom. When we put Lucky,
19 the rubber horse in there, and that mimics a horse trailer
20 that's tipped over. And then the students and the fire
21 department can learn that.

22 And then we put Lucky down in a ravine and learn
23 how to use a skid, and move them out.

24 These would all be similar to what's done in a
25 racetrack in moving a horse out of his stall or to an

1 isolation area.

2 And then in the event of economic disaster, we
3 actually have a think tank working on the unwanted horse and
4 some ideas.

5 Obviously, there's a lot on this slide. But
6 looking for a means of handling that, as that may be part of
7 industry's concern as well. And I know it is to everybody.
8 But we're seeking a humane solution for that.

9 So lastly, the things that we've done that we
10 think helped the racetrack is we developed sling and lifting
11 devices for horses, that help them from anesthesia recovery.

12 So here's a horse that's getting examined, is too
13 weak to rise, and we put it in this system and they can
14 stand.

15 And so that is done and they're available on the
16 racetrack. I know Greg Ferraro used one the other day, on a
17 horse that was having trouble getting up after a scope
18 procedure of a joint.

19 And then we've designed things for sling-assisted
20 anesthesia recovery in horses, after orthopedic surgery, so
21 they can wake up safely, and not a very expensive system to
22 put into place for a better outcome, when the animals have
23 to be operated upon.

24 So that's a brief overview of the activities. I'd
25 be happy to speak with anyone after the meeting. Thank you.

1 (Applause.)

2 DR. PASCOE: Our next presenter will be Dr. David
3 Wilson, who is also a Professor of Equine Internal Medicine,
4 and he's currently the Director of the William R. Pritchard
5 Veterinary Medical Teaching Hospital.

6 And just a segue off of John's presentation,
7 David's going to talk a little bit about EHVI, or neurologic
8 herpes in horses, which is a problem that you're all fairly
9 familiar with.

10 DR. WILSON: All right, thanks very much, John.
11 And, again, I'd like to add my welcome to all of you, the
12 Board, and all of our guests. It's a real pleasure to have
13 you here and also to kind of interact with you on a daily
14 basis, but also to let you know a little bit about what's
15 going on in the school.

16 My main area of interest is internal medicine and
17 infectious disease. We have a number of faculty engaged in
18 infectious disease research, here at the school, a number of
19 us that have been interested in equine herpes virus for
20 quite some time.

21 And I think, as many of you are aware, starting
22 with the outbreak at Findley, Ohio, in 2003, and then
23 followed on with the outbreak at Monmouth Park, and then
24 Kentucky, and just it seemed like there for a while that
25 every time you picked up a newspaper, or The Horse, or The

1 Bloodhorse that equine herpes virus was showcased.

2 Many of you know about this virus from the stand
3 point that it causes abortion. It also causes respiratory
4 disease, used to be known as rhinopneumonitis, and then it
5 causes sporadic neurologic disease, which can be manifest as
6 just weak and wobbly on the back end, loss of bladder
7 control, all the way to a horse that can't get up and will
8 ultimately die.

9 So we were set up in a fairly unique situation.
10 We have an active clinical program that interfaces directly
11 with the racing industry through our clientele and referring
12 veterinarians at the racetrack.

13 We have the California Animal Health and Food
14 Safety Lab, which is the central diagnostic lab for the
15 State.

16 We have the Lucy Whittier Molecular Diagnostic
17 Lab, where we do a lot of very rapid molecular diagnostic
18 testing for infectious diseases. We're backed up by the
19 research program.

20 And so on December 28th, 2006 all of the kind of
21 elements were brought into play.

22 During the preceding year Dr. Arthur was appointed
23 as Equine Medical Director, and we'd had some discussions
24 ahead of time, given this kind of concept that infectious
25 disease is a big thing and biosecured racetracks really

1 isn't that well organized. That what would happen if we had
2 an equine herpes virus challenge at one of the racetracks in
3 California?

4 Well, sure enough, less than six weeks after Rick
5 and I had that discussion, we were faced with this
6 situation.

7 So I was on duty in the hospital at 1:45, on that
8 Thursday, which was leading into the four-day New Year
9 weekend. I got a call from one of our graduates, who
10 practices at the racetrack, he had a horse that was weak,
11 wobbly on the backend, was dribbling urine, wanted advice.
12 I suggested to him that this horse sounded to me like it may
13 have equine herpes virus. Going into a four-day weekend, we
14 better do something about it.

15 The horse was at the racetrack, other horses were
16 potentially at risk.

17 He worked with the trainer, convinced the trainer
18 and the owner to send the horse to Davis. We did diagnostic
19 workup on the horse. It arrived at five o'clock in the
20 afternoon. We had already alerted the lab that we were
21 going to be submitting samples.

22 We went to the human hospital and emptied the
23 hospital pharmacy out of elcycrovere, an anti-viral drug,
24 that hadn't, up until this time, been used in horses. And
25 by 7:15, the following morning, we had a definitive

1 diagnosis. We had a confirmed diagnosis on that horse
2 because we had access to high-end molecular diagnostic
3 facilities.

4 I'd already contacted Dr. Arthur, knowing that
5 this horse was potentially on its way. We huddled, we
6 formed a plan. We contacted management and veterinarians at
7 the racetrack, and Dr. Arthur initiated a limited quarantine
8 the following day.

9 We assembled a group of students, residents, and
10 faculty colleagues, drove down to the racetrack, we were
11 there before 7:00. We sampled a substantial number of
12 horses that we felt were -- had contact.

13 We held a meeting with racetrack management, with
14 veterinarians, with trainers, and some of the owners at the
15 track, and very rapidly were able to implement a voluntary
16 movement restriction.

17 And the goal was, under that circumstance, one was
18 to try to get a really good handle on what was actually
19 going on.

20 We had access to molecular diagnostic tests, but
21 I'd have to admit that at that time some of these tests were
22 so new we really didn't know, as experts in the field, how
23 we were going to interpret these tests.

24 So there were a lot of research questions that had
25 come up within our group, and also within the community that

1 does work on infectious diseases, and especially herpes
2 virus.

3 So we huddled the night before we went down to the
4 track and we identified four or five research questions that
5 really needed to be answered in order that we could give
6 good information to trainers, to owners, to racetrack
7 management.

8 And so, suffice it to say, that the Golden Gate
9 Fields was under a three-track voluntary quarantine, Golden
10 Gate, Bay Meadows, and then horses that were training at
11 Pleasanton.

12 Racing continued, so no racing days were lost
13 during this.

14 We had one clinically infected horse, but when we
15 went in there and started sampling, we found up to 25
16 percent of the horses were positive on this very sensitive,
17 molecular diagnostic test.

18 So now we were faced with the ultimate dilemma,
19 what constitutes a positive? Okay, is it a diseased horse?
20 Is it a horse that shows up on a very -- positive on a very
21 sensitive molecular diagnostic test? And do you use these
22 molecular diagnostic tests to determine movement
23 restrictions and other quarantines?

24 And I think many of you are aware, from some of
25 the things that have happened elsewhere, that entire equine

1 events have been shut down for long periods of time, based
2 on positive results on a specific molecular diagnostic test.

3 So we were very concerned about that and we tried
4 to learn a little bit more as we were going forward.

5 What we learned -- well, we learned a lot of
6 stuff. One, that we only had one horse that was clinically
7 infected. We learned that that horse rapidly responded to
8 treatment and we think that we helped that horse, and that
9 horse actually went back and raced successfully within six
10 months.

11 And so we maybe learned a little bit more about
12 treatment.

13 We also learned that during outbreaks a large
14 number of horses are silently infected. And the question
15 then becomes are they infected simultaneously with the
16 strain that is causing the neurological disease in the
17 particular clinical case?

18 And what we found out was we had at least three,
19 maybe four, maybe five different cycles of infection within
20 this group of horses that were owned by the same -- that
21 were in the barn of the same trainer.

22 We had concerns about pony horses, so we had
23 sporadic positives show up in pony horses, and so on.

24 It turns out, though, that with another level of
25 diagnostics that we performed that we were able to tell that

1 those positives, positives for a virus that was contagious,
2 or were they just positive for the DNA for the herpes virus.

3 You know, the saying goes, "herpes is forever."
4 That's true in people, it's true in horses, it's true in all
5 sorts of things.

6 So most horses are latently infected, have silent
7 infection with the herpes virus.

8 And it turns out that on some of the testing, the
9 tests now are so sensitive we may be picking up latent
10 infection that is not actually a contagious risk for other
11 horses.

12 We also learned that the type of swab that we used
13 to collect is important and the shorter swabs that are
14 easier to collect are, actually, just as good as the big,
15 foot and a half long swabs.

16 We learned that the horses that are shedding by
17 far the most virus, and are by far the most contagious, are
18 the horses that have active neurologic disease. And it used
19 to be felt that by the time they developed neurologic
20 disease, they were no longer contagious.

21 Well, that's exactly backwards, they are shedding
22 by far the largest amounts of virus.

23 The virus is not contagious over large distances
24 through the air.

25 So if we focus our efforts on the clinically

1 affected horse, and those horses that have been in close
2 contact, and we focus our testing and quarantine measures on
3 those horses, then we can mitigate the outbreak.

4 And we also learned that it is not a good idea to
5 do widespread surveillance of horses that are not in any
6 contact with clinically affected horses.

7 And I swear that had we continued to test, and we
8 had cast a much broader net with this very sensitive testing
9 methodology, we'd probably still be testing horses.

10 And so at the end of the day this -- we learned a
11 lot. I think we were able to help the industry by
12 interpreting the test cautiously but, at the same time,
13 using basic principles of infectious disease control.
14 Allowed racing to continue and that had an economic affect
15 across the industry. Even shutting down for a few days, in
16 this climate, can be very devastating for all involved.

17 And so I felt very fortunate to have been on duty
18 between Christmas and New Year, and I was delighted to spend
19 my entire New Year weekend dealing with this, it was just
20 great.

21 But then it gave us opportunities to interact with
22 folks. We also, then, set up a series of seminars, both in
23 Northern California and in Southern California, in order to
24 let folks know what was going on, what our recommendations
25 were.

1 We were able to huddle here and put stuff,
2 information up on our website pretty quickly, because we
3 were -- obviously, there were a lot of concerned people and
4 we were deluged with calls for information.

5 And as we went along, first we had some
6 preparation ahead of time. We actually rewrote the book a
7 little bit as we went along, and we knew a lot more when we
8 were done with this, than when we started. And so a lot of
9 information was gained.

10 Thank you, that's all I have.

11 (Applause.)

12 DR. PASCOE: Our final presentation will be from
13 Dr. Martin Vidal, who's an Equine Surgeon. And I know stem
14 cells are a thing that are in and out of the paper, there's
15 a lot of controversy around them, and I thought it would be
16 interesting to have this section just finish up with Martin
17 sharing a little bit of what's happening with stem cells, as
18 they apply to horses and, particularly, what long-term
19 implications may be for racing.

20 DR. VIDAL: Well, thanks a lot. Well, good
21 morning, everybody, and thank you very much for giving me
22 the opportunity to talk about the stem cells. I'll just
23 summarize a few concepts to all of you.

24 Stem cells, and working here for two reasons that
25 are a really exciting prospect for me. First of all, we

1 have a very young and new team that's been -- that was
2 assembled about two years ago, and we're all very actively
3 working on trying to answer some very basic questions.

4 And the other reason is -- why I'm excited is that
5 because after decades and decades of drug development to
6 improve the health and the performance of our horses, we
7 finally have a solution that has a lot of potential, that is
8 not drug based. And, in fact, has probably a lot more
9 potential in really helping our athletes and our prodigies
10 in overcoming some of the injuries that we've been facing
11 and have been wondering about how to treat.

12 And because for the most part a lot of the
13 treatments that we've implemented so far have never stood
14 the test of time. Particularly, tendon injuries. For those
15 people who deal with horses, you can imagine how frustrating
16 that has been.

17 So one of the things about stem cells is that stem
18 cells are actually a lot more -- let me change this. I seem
19 to be struggling a little bit with this technology here.
20 A little bit of help here on this side? Oh, you got it.

21 So stem cells are very clever, in ways probably
22 much clever than we are, because they know when they're
23 being put approximately close to the site of injury, they
24 know where to go to and they also know how to behave once
25 they're there.

1 What we have to do, what we have to figure out is
2 how to help these cells, how to augment them, enhance their
3 function, and through their environment build scaffolding
4 materials in order to get them to improve. What we've
5 already seen clinically is starting to show some promising
6 results.

7 Orthopedic injury is obviously my main interest,
8 because I'm a surgeon, and so stem cell is closely related
9 to that. And we see in clinics, and here, obviously, and in
10 referral hospitals a lot of the tendon ligament injuries.

11 If you think about STFP injuries, or the
12 superficial digital effects injuries most commonly occur in
13 racehorses. Their incidence on an annual basis is anywhere
14 up to 43 percent.

15 And when these horses are coming back after
16 recovery, often lengthy recoveries of a year or so, and they
17 will re-injure these tendons very, very quickly, up to 70
18 percent. And that's very frustrating because the scar
19 tissue formation and the healing tissue in tendons is very
20 weak.

21 Osteoarthritis, perhaps even economically more
22 important than tendon injuries has, again, been a long, long
23 standing issue in how to treat them.

24 Fractures. If you think about three to five
25 horses, out of every thousand starts, are succumbing to

1 fractures, and if you look at it on a per-horse basis, 17 to
2 24 horses per thousand starters.

3 That's a huge amount of numbers of horses that
4 will actually fracture their legs.

5 And what can we do to augment healing, to improve
6 healing, and actually increase or shorten the time of
7 healing, so that the horses don't develop laminitis, like we
8 see, or have seen from this very famous case of "Barbaro" on
9 the opposite limb.

10 So laminitis really does belong into this group.
11 And some of the statistics show that about 15 percent of all
12 U.S. horses, at some point in their life, will suffer
13 laminitis -- or will suffer an incident of laminitis. And
14 75 percent of those horses will be euthanized because of
15 that. It's a very, very debilitating disease.

16 And that disease, although very complex in nature,
17 I think, particularly in the acute stage when, you know,
18 we're talking about problems in blood supply and so on, we
19 may actually be quite useful with therapy from stem cells.
20 Because at that stage we've shown, in laboratory animals,
21 that we can quite successfully intervene and use stem cells
22 to repair blood supply. So that may be a very good vantage
23 point for us to move into.

24 Stem cell therapy, that we know of right now, is
25 based on two types of adult stem cells. And when I talk

1 about adult stem cells, those are the stem cells that we can
2 get out of an adult horse. Not the embryonic stem cells,
3 because then it has implications and complications that are
4 completely out of the realm of current research.

5 And as most of you probably heard in the media,
6 the embryonic stem cells is very debated. And so that's
7 where people, over the last 10 to 20 years, have put a lot
8 more emphasis on the adult stem cell that we can get either
9 from bone marrow, from fat, from all different types of
10 tissues.

11 But, of course, we need to choose tissues in the
12 horse that cause the least morbidity when we collect the
13 stem cells and isolate.

14 And so on the left side, I'm representing a
15 company called Vet Cell, which is a spin-off company of the
16 Royal College in England, which has now set foot here, in
17 the United States, as well.

18 And they provide a product called -- a bone marrow
19 graft of stem cells. And typically what happens there is
20 the referring veterinarian will take bone marrow either from
21 the sternum, or from the chest, or from the hip. And then
22 that sample will be sent to the lab, and over there in the
23 lab then cultured. Because the amount of stem cells in bone
24 marrow are very, very few, and we need to multiple them in
25 order to get large numbers.

1 Typically, within about 10 to 14 days we'll have
2 about 20 million cells and those can then go and be injected
3 back into tendons.

4 And more recently, we're looking at injecting or
5 using them in joints, as well.

6 But the tendons seem to be a bit more forgiving.

7 With joints, the joint is a very sensitive
8 environment. And, particularly, if we use stem cells from
9 other animals like, you know, what we call LPGA stem cells,
10 the horse tends to respond. And we need a lot more research
11 in that area.

12 The Vet-Stem, which is a California based company.
13 Both of these opened up in about 2001. Their product is
14 based on fat-derived stem cells. And what happens here is
15 the referring veterinarian will take a little bit of fat
16 sample from the rump of that horse, and that will be sent to
17 Vet-Stem. Vet-Stem will then digest that fat sample and go
18 through a series of different types of centrifugations.

19 And in the end, you end up with a nucleated cell
20 pool, which is very heterogenous in nature, which means
21 there's a lot of different types of cells, inflammatory
22 cells, bone marrow cells, and stem cells in there.

23 And then these stem cells are sent back to
24 the -- or the cell pool is sent back to the veterinarian and
25 the veterinarian then is injecting them back into the tendon

1 or the joint.

2 The difference between these two techniques here
3 is such that we, first of all, we don't know what these
4 cells can do. How do these cells from bone marrow, as
5 opposed to from fat, how do they perform? Each of them,
6 presumably has, because of a predilection as to where
7 they've been grown or where they've naturally come from,
8 possibly different capabilities and we need to investigate
9 those.

10 So at the moment we have probably two major
11 branches in our research laboratory, which is probably,
12 almost 20 head strong, and so quite a good, critical mass of
13 people from different departments. Bioengineering
14 department, molecular biology, biomechanics, et cetera, et
15 cetera, that all work together in trying to answer questions
16 related to tendon repair and bone repair.

17 Dr. Galupp, Dr. Yellowley, Dr. Stover are more,
18 you know, looking at the bone side of things. And me, being
19 the new addition, and the young kid on the block so to
20 speak, have a slightly smaller group. But we're very
21 intensively looking at tissue engineering approaches to
22 tendon repair and how we can augment cells in order for them
23 to perform better.

24 At the moment, as you can see, from both of these
25 sides, we have very similar projects that we're working on.

1 Because the industry at the moment, the research industry at
2 the moment is very, very young.

3 In humans, in laboratory animals, people have
4 worked on stem cells for almost 20 years, 30 years. And
5 which is a good thing for us because we can learn a lot of
6 their lessons. We don't have to reinvent the wheel, we can
7 progress a lot faster. But we have to make them work for
8 the equine model which mechanically, of course, is a much
9 different, you know, number, or a much different game than a
10 human, or a dog, et cetera.

11 So we are working on actually establishing a model
12 for both fractures and tendinitis. We're working on
13 enhancing these cells through growth factors, through
14 appropriate scaffolding materials.

15 And then to see that we can actually track these
16 cells within the injury so we know where they're going.

17 Stem cells have three major functions, really.
18 One of them is that they act as building blocks for new
19 tissue formation.

20 But perhaps, more importantly, is that they in
21 fact are capable of inciting healing process through what we
22 call trophic effect. In other words, release of growth
23 factors and impacting on cells in that environment that will
24 actually start the healing process.

25 And, thirdly, they're able to duck underneath the

1 immune system of a different -- of a different host or a
2 different immune system. Which means we can presumably use
3 stem cells in other individuals and thereby treating them.

4 And exactly how that's going to work and the
5 efficacy and optimizing those techniques is, obviously,
6 still ongoing. But the cells do have that potential.

7 And, also, they have anti-inflammatory potential
8 as well.

9 And then lastly, perhaps, optimal stem cell
10 source, I was just explaining before, had cells from fat,
11 for example, and bone respond very different in culture.

12 We know that in culture bone marrow cells actually
13 can produce bone a lot better than fat-derived cells. And
14 they produce cartilage, for example, a lot better than fat-
15 derived cells.

16 So what we need to do is learn how to either
17 enhance the fat-derived cell, or how to use and optimize the
18 bone marrow derived cell.

19 And so in summary, our clinical experience,
20 really, as far as the stem cells, particularly in tendons,
21 has been actually quite encouraging.

22 There's a study that was published recently, out
23 of England, where they've shown that the re-injury rates,
24 which in racehorses as I've told you before, is about 67
25 percent. In sport horses, anywhere between 20 to 40

1 percent.

2 The re-injury rate can actually be reduced by 15
3 to 20 percent using stem cells in tendon injuries, which is
4 a very promising result.

5 The problem is, in racehorses it hasn't worked.
6 And when they've looked at re-injury rates in racehorses,
7 over a longer period of time, that didn't seem to work out
8 very well.

9 Initially, yes, they do fine. But then during
10 subsequent racing, just through the high mechanical impact
11 on the tendons, presumably, we're unfortunately getting back
12 up to the familiar 60, 70 percent rate or re-injuries.

13 The problem is that we need to select our patients
14 very critically, and it's very important. Because if we are
15 trying to create new tissue, healthy tissue, mechanically
16 and durable tissue, if you like, with stem cells, then it
17 makes no sense to take a stem cell and inject it into a
18 tendon that already has granulation tissue and scar in it,
19 because you already created a problem in the tendon. And by
20 putting stem cells in it, it's not going to replace that
21 scar tissue, it's just going to be a lost investment.

22 So in other words, the important part is, and that
23 was also emphasized in this particular study from England,
24 that early implementation is important, and I would say as
25 early as within the first, you know, 30 to 40 days. The

1 sooner the better.

2 And quite often, because we -- actually, I think
3 the common consensus at the moment is that if we can get
4 them in even within about a week after the initial injury,
5 that is the best time point.

6 Because stem cells are, within the body, incited
7 to do their job when there is an inflammatory response going
8 on, when there is an injury going on. Then that's when the
9 stem cell says, oops, I got to do some work, and they move
10 into the area. They're very mobile, we know that, and they
11 can actually then, you know, do their job by eliciting a
12 healing process or acting as a building block for new
13 tissue.

14 Allogeneic use, perhaps possible. There was a
15 paper that was published just recently, that showed that
16 there's no inflammation when stem cells from a different
17 donor were used, which is a very interesting result.

18 And finally, again, our research experience has
19 shown amply, both in horses, but also in other species, that
20 not all stem cells are created equal. And so we have a lot
21 more work to do.

22 And with that, thank you very much.

23 (Applause.)

24 DR. PASCOE: Mr. Chairman, thank you for the
25 opportunity to share a glimpse of some of the things that

1 we're doing to benefit the horse and horseracing in
2 California.

3 And as you break for lunch, I'd like to extend an
4 invitation to Members of the Board, and to members of the
5 public, if they're interested, to join us for two short
6 tours.

7 Dr. Arthur, and Dr. Stover is in the room
8 somewhere, we'll go to the --

9 COMMISSION CHAIRPERSON SHAPIRO: She's in the
10 back, waving.

11 DR. PASCOE: -- we'll go to the Orthopedic
12 Research Laboratory and after a brief visit there, we'll
13 walk across to the Equine Athletic Performance Lab for a
14 horse on the treadmill with Dr. Jones.

15 Thank you.

16 COMMISSION CHAIRPERSON SHAPIRO: For
17 those -- thank you very much, Dr. Pascoe.

18 For those people that have not toured these
19 facilities, it is well worth doing. It is truly phenomenal.
20 Okay, you'll learn so much. And so I would highly recommend
21 it.

22 Dr. Arthur, it is now 12:15, and so what I would
23 like to do is -- how long do you believe that these tours
24 will take, so that I can know when to reconvene this
25 meeting?

1 EQUINE MEDICAL DIRECTOR ARTHUR: I think we should
2 still shoot for one o'clock, but we may be five to ten
3 minutes late. It will be no more than that.

4 COMMISSION CHAIRPERSON SHAPIRO: Great. Okay, so
5 let's plan to be back here at one o'clock to reconvene the
6 meeting.

7 Those people wishing to take the tour, I assume
8 they should just meet outside --

9 EXECUTIVE DIRECTOR BREED: In the lobby.

10 COMMISSION CHAIRPERSON SHAPIRO: In the lobby.

11 And if you're looking for lunch, you can go
12 to -- where is the place, the commissary from here?

13 DR. PASCOE: So if people go back into the foyer,
14 and walk around the first set of classrooms and out, there's
15 a cafeteria just right behind us, in this building.

16 COMMISSION CHAIRPERSON SHAPIRO: Great. Okay.
17 All right, thank you.

18 EQUINE MEDICAL DIRECTOR ARTHUR: Anybody wanting
19 to go on a tour, just follow Dr. Stover and I.

20 (Off the record for the luncheon recess.)

21 EXECUTIVE DIRECTOR BREED: Ladies and gentlemen,
22 let's take our seats so we can get this show on the room.

23 COMMISSION CHAIRPERSON SHAPIRO: We don't have
24 enough Commissioners in the room. There's Moss, Shapiro,
25 and Derek. Where's Israel?

1 (Off the record.)

2 COMMISSION CHAIRPERSON SHAPIRO: And while we're
3 waiting, I do want everybody to know that the esteemed
4 Commissioner Andreini was awarded a very nice, high honor in
5 the quarter horse industry. And I just want to make note of
6 it, that I'm very pleased and happy for you that you're
7 being honored, Mr. Andreini.

8 COMMISSIONER ANDREINI: Thank you.

9 (Applause.)

10 COMMISSIONER ANDREINI: They always give it to the
11 old guy.

12 COMMISSION CHAIRPERSON SHAPIRO: All right, we're
13 going to get started.

14 Choper, you did hear that you were late to the
15 receiving barn?

16 COMMISSIONER CHOPER: Yeah.

17 COMMISSION CHAIRPERSON SHAPIRO: You'll have to
18 give a couple of extra specimens.

19 Okay. And Harris -- well, that's Harris.

20 Okay, we're going to move on here with the agenda,
21 because we are running late. And by the amount of cards
22 that I have been plopped down here, I have a hunch we'll
23 have some discussions.

24 Okay, the next item is Item Number 7. Which is a
25 discussion by the Board and a presentation by Monitor Plus,

1 a proprietary advanced software tool designed by Advanced
2 Monitoring Systems, that provides real-time, independent
3 monitoring of pari-mutuel wagering.

4 Izzy Sobkowski is here. And I want you to know,
5 I've met with Izzy and discussed with Izzy. Izzy has
6 created a formula that would -- a format and a program that
7 would help the industry look at its -- the security of its
8 wagering systems and monitoring who's wagering in our pools,
9 and making sure that the integrity of our game is at the
10 highest level.

11 And so I've asked Izzy to come and make a
12 presentation. I ask that everybody bear with this
13 presentation. This is a discussion item, only.

14 There are other people and other systems that are
15 all looking at this, but this is something that nationally
16 I'm hopeful that the regulatory industry, along with all the
17 stakeholders will embrace, to make sure that those people
18 wagering in our pools are doing so with our knowledge, and
19 with the highest level of security at all times.

20 So, Izzy, if you'd like to come forward and make
21 your presentation, I think that would be helpful.

22 MR. SOBKOWSKI: I'd like to thank Chairman
23 Shapiro, Executive Director Breed, and the Board Commission
24 for having me here and having this opportunity to present to
25 you.

1 So what I'll be talking about is a service bureau
2 for the independent monitoring of pari-mutuel.

3 Is it on? Yeah.

4 I just presented a similar presentation to
5 Kentucky, a few weeks ago, and it's just interesting that
6 Mike Maloney, who's one of the whales in the industry was
7 actually at that presentation, so I was just quoting him.

8 But, basically, he's just said that by having
9 wagering integrity clearly defined, not just talked about,
10 the industry is helped, both in terms of the number of
11 players and in increasing the handle.

12 On his feeling, someone who bets about \$10 million
13 a year, is that the lack of integrity, the perditious lack
14 of integrity is really hurting the industry.

15 Just one second, please.

16 I just want to give you two seconds of background.
17 I started in this industry about five years ago, as the
18 Director of the National Office of Wagering Security, for
19 the NTRA, the National Thoroughbred Racing Association.

20 I'm shocked and surprised that five years have
21 passed, actually, since the Breeders' Cup disaster and
22 nothing definitive has been done.

23 I'm very encourage at what's actually happening,
24 and we'll go through that in this presentation, what's
25 happening now.

1 So what is continuous monitoring and continuous
2 auditing? Continuous auditing is looking at financial
3 transactions occurring in our pools and in our accounts.

4 Continuous monitoring is looking for patterns of
5 inappropriate activity. For example, money laundering, race
6 fixing, et cetera.

7 Continuous monitoring and auditing is nothing out
8 of the ordinary. This is becoming a common practice in most
9 industries who are looking to be in compliance with the U.S.
10 Patriot Act, with the Foreign Uncorrupt Practices Act, with
11 Sarbanes-Oxley.

12 A few years ago I had, really, the honor to meet
13 with Secretary Ridge, at Homeland Security, and he looked me
14 straight in the eye and he said, we've got a \$16 billion
15 industry, a \$16 billion bank which is going unmonitored.
16 This is an opportunity for terror financing, for money
17 laundering, other inappropriate activity.

18 He said, if we want to keep our franchise, our
19 unique franchise in wagering, that we really do have to go
20 ahead and monitor what we're doing.

21 Continuous monitoring and continuous auditing for
22 pari-mutuel is immediately available, and immediately
23 available through my company.

24 I've had the opportunity to work for the last
25 couple of years with some of the racing commissions. The

1 New York Racing Commission I worked with very closely.

2 A rule has been put into effect in New York, and
3 specifically that rule is calling for an independent, real-
4 time transaction monitoring system.

5 Over the last 20 plus months my company, and our
6 system, our proprietary system, has gone through extensive
7 and exhaustive, and I'll stress exhaustive, testing by the
8 RCI, the Racing Commissions International.

9 And their findings are that we are independent,
10 approved, real-time, we are transactional, we look at every
11 absolute transaction. We do continuous monitoring and
12 continuous auditing.

13 And so there's an immediate applicability of our
14 system to New York racing, and that actually takes effect
15 January 1st.

16 So our service bureau is a turn-key solution. It
17 requires virtually nothing of the tote systems, or the
18 tracks. We accept information or data in a variety of ways,
19 it's a matter of plug and play.

20 There are zero barriers to -- I'm sorry, we're the
21 only vendor that's approved by the RCI. In conversation
22 with California, my expectation is that California will pass
23 a rule similar to New York. I'm very hopeful of that. I
24 believe that Kentucky will do the same. And there's
25 activity going on in Oregon, as well.

1 We're looking at a national approach to this, not
2 a piecemeal approach.

3 Technically, and from a business side, there's
4 really zero barriers to this. There's no hardware that
5 needs to be required. We're looking at software as a
6 service, and this is a pay-per-use.

7 So there's nothing that says that the industry
8 must use our system. Use it as long as you like, stop using
9 it when you find somebody better. Which I don't think you
10 will. I hope you won't.

11 Our service bureau is staffed with pari-mutuel
12 experts and cyber-security experts. We've built a
13 proprietary, independent monitoring system, that's a new
14 acronym in the industry, an IMS.

15 We continue to do to ongoing research. Our risk
16 scenarios, and I'm not going to go into detail as to what a
17 risk scenario is, but maybe just a -- money laundering would
18 be a risk scenario, or a fixed race would be a risk
19 scenario.

20 We continue to update our risk scenarios.

21 We're using artificial intelligence technology.
22 And this is similar to work that I personally did, at the
23 New York Stock Exchange, looking for insider traders. And
24 that system, called ICAST is still in effect, catching bad
25 guys on a daily basis.

1 Our service bureau offers continuous monitoring of
2 the transaction stream and continuous monitoring and
3 auditing of the transaction stream, and we also build our
4 own database.

5 We issue alerts. So if we find something which is
6 inappropriate, we go ahead and issue an alert and that gets
7 taken care of.

8 There's been some move within California for due
9 diligence and due diligent requirements for SPMOs and ADWs.
10 My view is that that's a really good starting point. But
11 due diligence, and a vetting process, or a SAS-70, that's a
12 great starting point, but that gives you what's going on in
13 a fixed moment of time.

14 The only way to really know what's going on, on an
15 ongoing basis, is continuous auditing and continuous
16 monitoring.

17 Trust, but verify. So know your licensee. Very
18 similar to the bank's requirements to know your customer.
19 You have to look at not just things happening every three
20 months, but every single transaction, every wagering or
21 account center, and every personal and business
22 relationship.

23 And I'll go into that just a bit later, in terms
24 of the technology.

25 But the social network analysis of knowing which

1 jockey, which trainer, which track, which event. Who, what,
2 where, that type of database.

3 So ADW compliance. On the right side we see that
4 just recently IRG was harmed for some work -- well, some
5 activity with money laundering.

6 Our ability to go ahead and look at ADWs, look at
7 their accounts, look at their activities, ensure compliance
8 with the jurisdictions and issue alerts when we find
9 something that's inappropriate.

10 We do this through audit functionality and
11 financial controls.

12 Again, our time is limited, so I'll just hit the
13 highlights. Every transaction, every financial event which
14 occurs, ADWs, SPMOs, on-track, off-track, simulcast, make
15 sure the pools are approved, et cetera.

16 In so doing, we protect the State, make sure that
17 you get your tax dollars, make sure that you get your
18 takeout, the horsemen and the fans.

19 Continuous auditing ensures proper payment. We
20 detect and prevent account shenanigans. Correct reporting
21 of handle -- make sure that the reporting of handle is
22 correct.

23 And anything which is electronic, any kind of
24 wager or account activity is monitored by us, so we look for
25 patterns, again, and alert for inappropriate activity.

1 And we ensure that all of the financial reports
2 are complete and correct.

3 The system that we've built is called MonitorPlus.
4 It's an independent monitoring system, and it was
5 specifically designed from the ground up for pari-mutuel.

6 The type of activities that we've looked at is
7 continuous audit and prevent account misdeeds.

8 We've looked into the ongoing due diligence of
9 ADWs and SPMOs, make sure that access is appropriate and
10 approved.

11 We've looked at wagering fraud, past posting,
12 cancel, delay. That's something which people keep on saying
13 doesn't really happen. We've shown that it actually has
14 happened.

15 We've had whales come up and say they've actually
16 done past posting. That's an issue, we addressed that.

17 We've looked at odds manipulation, addressed odds
18 manipulation.

19 Performance enhancement. I don't want to say that
20 we go out and we do drug testing. We don't do that.

21 But there are situations where you can take a look
22 at an event, which leads you to believe that this event
23 would not have occurred unless there was some kind of
24 performance enhancement.

25 It points you in the direction to focus resources

1 looking at a bad event.

2 Money laundering, and it's the last item -- well,
3 before closing. But terror financing. We, again, have a
4 \$16 billion industry, which is effectively one large bank.

5 And, you know, again, I've heard it from folks
6 within Homeland Security, Senator Leiberman, et cetera, that
7 terror financing is a concern that they look at, at this
8 industry.

9 And so our system, MonitorPlus, is a very
10 powerful, real-time transactional system. It discovers, it
11 learns, and it alerts.

12 Let me just talk a moment on learning. Bad guys
13 are always getting smarter. We need a system which learns
14 and keeps ahead of the bad guy.

15 And so the artificial intelligence technology that
16 we use actually learns. It learns and gets smarter through
17 usage.

18 Some of the actual results that we've achieved
19 using real data. We've looked at, for example, an ADW
20 robotic account with a very unusually high return rate,
21 about 1.5 percent of a return rate, where the normal is less
22 than about a .8 return rate.

23 We've looked at cancel delays, past posting, odds
24 manipulation. Collusion on, you know, a favorite that just
25 doesn't perform as expected.

1 Race fixing, insider information, and something
2 near and dear to California, in a different incident of
3 random picks.

4 I don't want to make this a very technical
5 presentation, but just simply to say on the very left side
6 we get our information from the tote companies, from ADWs,
7 SPMOs, and other sources. For example, newspapers
8 clippings, CHRIMS, et cetera.

9 We build our database. Our security database
10 allows us to go ahead and do forensic analysis. We also do
11 real-time transactional analysis.

12 So just as I said, so real-time detection, as well
13 as forensic detection.

14 Every wager, every account, every activity. It
15 allows us to look at things in real-time, and then from the
16 database we can go ahead and look at things that happened in
17 the past.

18 So, for example, money laundering generally occurs
19 in a Smurf kind of situation. If you remember those little
20 green guys, those little green cartoons?

21 Rather than putting large sums of money in one
22 place, they may put small pieces of money in a variety of
23 places.

24 Being able to look at a database forensically, and
25 tie those pieces together, gives us a very clear picture of

1 an inappropriate activity.

2 So again, looking at things in real-time and
3 looking at things forensically.

4 Some of the technologies that we use and, again,
5 I'll just touch upon them. Clustering.

6 So clustering, as I just discussed, will -- I'm
7 not sure what I'm looking at, but I think that there's an
8 unusual cluster going on in the upper right-hand corner.

9 Kind of akin to a doctor saying there's a mass of
10 cells, I don't know if they're cancerous or not, but I want
11 to go ahead and investigate.

12 So in this case we discovered two examples. They
13 were not bad examples, these were accidents, but interesting
14 enough to go ahead and examine.

15 Rules allow us to take the rules of thumb, the
16 industry knowledge and put that into our system. So we have
17 collectively industry knowledge.

18 When we look at things today, basically, you've
19 got one analyst, who might be looking at one particular
20 report.

21 The problem with that is, is it's one analyst and
22 one particular report. The problem with that is it's one
23 analyst and one particular report.

24 If you can collect industry knowledge and do that
25 through rules, we can apply that information consistently

1 and uniformly across all transactions.

2 I mentioned before that this is a learning system,
3 automated machine learning, or automatic machine learning,
4 AML. It goes out and does the data mining process. We
5 collect huge sums of information. Once we have this large
6 amount of information, we automatically create rules.

7 Our analysts will go ahead and modify those rules
8 as well. This keeps the system very fresh.

9 Decision trees. Just another way of allowing us
10 to look at information, look at problems just very
11 graphically, and making it a lot easier for our analysts.

12 And this technology, which I'm very proud of, our
13 social network analysis. You know, a who, what, where
14 database, a knowledge base.

15 So I started out with clustering. I'm not sure
16 what I'm looking at. I went through rules that applies
17 uniform information, and here I've got a system which allows
18 me to do who, what, where is involved with an event.

19 Hopefully, an event is simply a mistake, it's an
20 anomaly. But sometimes, out of the .001 of this huge
21 datastream there are some problems, we go ahead and catch
22 those and report them.

23 And we do that through alerts and feedback. So we
24 go ahead and issue an automated alert. We can take that
25 alert and e-mail it out to your PDA, to your Blackberry, you

1 know, if it's a severe alert, for example.

2 And feedback is a very important part of our
3 system. Sometimes we're right and we want to get that good
4 feedback, and sometimes we're wrong and you give us your
5 feedback, as well, or always gives us your feedback that
6 makes the system just smarter over time.

7 Okay, the service offering that we have, sorry for
8 this, but there's an immediate need in California. Just,
9 you know, the words of, I'm sure, a very popular Senator in
10 this room, Senator Leland Yee, who just said --

11 (Laughter.)

12 MR. SOBKOWSKI: Sorry. Have I just lost
13 my --

14 COMMISSION CHAIRPERSON SHAPIRO: There's a
15 transcript, so you'll notice no words.

16 MR. SOBKOWSKI: So I'll leave this up -- you know
17 what, I'll go to the next one, but I'll just go back for a
18 second.

19 My experience with California has been
20 extraordinary -- sorry. My experience with California has
21 been extraordinarily positive, where there's been a
22 recognition of the problem, there's been a recognition of
23 this need, and I'd like to say you've taken the lead, but I
24 don't think you have. I think New York kind of beat you to
25 it on the lead.

1 But my experience, again, with California is very
2 positive. I think you guys are right in the forefront and
3 I'm hoping that you pass a rule similar to New York very,
4 very quickly.

5 Okay. So, again, our service bureau was staff
6 with pari-mutuel and cyber-security experts. We've got this
7 really golly, gee, whiz technology. We provide automated
8 alerts that are proven, we've gone through lots and lots of
9 testing.

10 We're turn-key, immediately available. So for
11 totes, or tracks, or SPMOs, or ADWs that want to you use our
12 service, it's a matter of plugging in and going.

13 It's a pay-per-use for a turn-key system.

14 Discount incentives. We've talked about. I've
15 talked about with some of the stakeholders, especially upon
16 the start-up of this, and there were no set-up fees.

17 And so in summary, I think that the states are
18 very serious. I would say California is probably the most
19 serious state at this point.

20 AMSSs, we're the only approved independent
21 monitoring solution. We've gone through extensive testing
22 through RCI. And we offer a turn-key solution.

23 And the next steps, as I can see, is contracts and
24 industry-wide implementation.

25 And so I apologize for that little quote over

1 there, but thank you, again, for having me.

2 COMMISSION CHAIRPERSON SHAPIRO: Izzy -- no, thank
3 you, seriously. Izzy and I met probably about a month ago,
4 and I think in light of some of the issues that are being
5 tackled nationally, along with, as you'll recall we did talk
6 about doing SPMO certification, this is just a natural tie-
7 in, where as we improve everything that we do, wagering
8 security is an issue. And we all hear about past-posting,
9 we all hear about late odds, and then you wonder, you know,
10 well, who did win that single Pick-Six ticket or whatever it
11 is.

12 This is a tremendous system. And I have spoken
13 with Kentucky, they are about at the same stage we are. I
14 spoke with them day before yesterday, again, and they are
15 looking to move forward.

16 The idea here would be that we would move forward,
17 together with other states, so that we're not alone in this.
18 There is a cost to this, but I think it is something that we
19 should continue to pursue.

20 Paul Bolwinger is here from ARCI. I know that
21 we've had these discussions at ARCI. And, Paul, if you want
22 to simply make a statement of support for this, I certainly
23 welcome that.

24 MR. BOLWINGER: Thank you. I don't think I need
25 the mike.

1 First of all, my name is Paul Bolwinger, I'm Vice
2 President of RCI and Vice President of ARCI, and also prior
3 to that a degenerate gambler, tried to hit the Late Double
4 at Cal-Expo on Hastings. So I bring, definitely, a punter's
5 view to where I come from.

6 Your Commission has been on the forefront on many
7 issues. And I would particularly like to applaud Rick, and
8 your staff, on working on the medication issues, on the
9 TCO2.

10 I've been a professional regulator for eight
11 years, now. And I took some time to read your minutes from
12 your last meeting. I've sat through this meeting. And the
13 phrase I've run into constantly is the industry can work
14 this out by itself. That seems to be predominant.

15 Since the Pick-Six scandal, Izzy's absolutely
16 right, we cannot believe that we've heard the mantra, you
17 know, ad nauseam, that this will be done by the industry and
18 it will be taken care of.

19 I can only inform you that without your mandate,
20 this will not be accomplished. It simply will not happen.

21 The system that you have just seem will. We
22 tested it over 20 months with our best regulators, and our
23 best people looking at wagering fraud.

24 New York has taken the lead. New York is going
25 ahead with this program on January 1, of 2009.

1 So in order for us to reach critical mass, we're
2 looking at California. We felt if we could knock off two
3 large states, we would be in that critical mass position
4 where we could then move to Kentucky, Illinois, and Florida
5 very quickly.

6 Finally, I would like to say that the bottom line
7 is we need you to be in a leadership position, as you have
8 been on virtually every other issue that is of concern to
9 the bettors.

10 Finally, Izzy, myself, and all of the resources of
11 RCIS are available to you, to Kirk, to Bon Smith, whoever
12 you need will be here to help you to implement and get the
13 language right.

14 COMMISSION CHAIRPERSON SHAPIRO: Thank you, Paul.

15 MR. BOWLINGER: Thank you.

16 COMMISSION CHAIRPERSON SHAPIRO: Commissioner
17 Moss.

18 COMMISSIONER MOSS: I just had one question or
19 suggestion. I noticed there was just one slide pertaining
20 to the trainer/vet relationship. That's the only time it
21 mentions vet in the entire, you know, survey.

22 And I think if you're going to study the jockey,
23 and the owner, and the trainer, you really need to study the
24 vets and their activities. I mean, I have the greatest
25 respect for the veterinary profession, but we all know some

1 of them do experiment.

2 And some of these vets have been ruled off and,
3 yet, still show up mysterious hours, on certain racetracks
4 in California.

5 I think if you're going to have a real survey, a
6 real security, I think you need to follow the vets as well,
7 as well as these other people.

8 MR. SOBKOWSKI: May I respond to it?

9 So first of all, thank you, Commissioner.

10 Some of you may have noticed I was very busily
11 editing while you guys were having lunch.

12 COMMISSIONER MOSS: Oh, okay.

13 MR. SOBKOWSKI: And the reason for that is
14 Chairman Shapiro said, you know, remember your hour
15 presentation, well, you've got 20 minutes. And I think I've
16 done this in 20 minutes with that.

17 The SNA technology, the social network analysis
18 technology, the who, what, where database that we, for
19 example, pioneered, and truly pioneered at the New York
20 Stock Exchange, for looking at who, what, where, when, why,
21 how, et cetera, clearly includes the vet.

22 Now, we've gone through some of those
23 relationships, using the vet relationship. The problem is
24 we haven't had enough data.

25 I'm kind of hopeful that as we start using live

1 data, in a real world, that that data becomes a bit more
2 available.

3 I had a very fruitful meeting, yesterday, with a
4 vendor in Las Vegas, who in fact has some of that
5 information to make available for us.

6 COMMISSION CHAIRPERSON SHAPIRO: And we
7 have -- Izzy has requested that you get data from our --
8 from Scientific Games.

9 MR. SOBKOWSKI: Yes.

10 COMMISSION CHAIRPERSON SHAPIRO: And we are moving
11 forward so that we can see --

12 MR. SOBKOWSKI: But we're not.

13 COMMISSION CHAIRPERSON SHAPIRO: No.

14 MR. SOBKOWSKI: No. I mean, I was basically told
15 that the only way to get that is if you forced it to happen.

16 COMMISSION CHAIRPERSON SHAPIRO: Well, I think we
17 can probably do that.

18 COMMISSION VICE CHAIRPERSON HARRIS: So moved.

19 (Laughter.)

20 COMMISSION CHAIRPERSON SHAPIRO: Because it is our
21 goal to see -- Izzy has offered, and correct me if I'm
22 wrong, that you would essentially give us a taste of this
23 and show us what can be done. I mean, we're not looking to
24 buy the cow, we'd like to drink some milk here.

25 And to do that, you need some data, and so forth.

1 And so I believe that it's in our best interest to
2 see what can be done and so we can start this. This is a
3 very important issue.

4 And so I would instruct staff to move forward so
5 that we can, in fact, get the data that you need, so that we
6 can see what you can do and then provide for us.

7 COMMISSION VICE CHAIRPERSON HARRIS: I think it's
8 very intriguing, because we're spending several hundred
9 thousand dollars a year, now, on investigations, when we
10 have no technology to aid them, and it can be -- well, what
11 kind of dollars are you looking at here to get going on
12 this?

13 MR. SOBKOWSKI: I mean, I look at it as a user
14 fee, not as something -- I think it was a mistake that was
15 made in New York, the mistake was made that they put the
16 onus on the totes, which is, I believe, inappropriate.

17 I would hope that if California passes a similar
18 rule, that you would also look toward a user fee, so to
19 speak, that it would be a fraction on every wager that comes
20 in.

21 COMMISSION VICE CHAIRPERSON HARRIS: And the user
22 would be, potentially, CHRB, but also the tracks are --

23 MR. SOBKOWSKI: Well, the user would be the person
24 placing the wager. So if I go up to a window and place a \$2
25 bet, that there's a piece of a --

1 COMMISSION VICE CHAIRPERSON HARRIS: Well, that's
2 a -- they're funding it, but as far as if somebody wants to
3 get into it to check what they might think is something
4 that's illogical, who is that? Is that the CHRB, or an
5 individual track, or a tote company, or what?

6 MR. BOLWINGER: You really need to -- there are no
7 technological barriers, so what you're addressing,
8 Commissioner Harris, is exactly right, the economics of it
9 and how do you spread it.

10 Right now, in New York it's the totes, assuming
11 the totes are going to go back to the tracks and spread it.

12 We can work with you on whichever way is best for
13 you to spread that cost, but the cost needs to be spread.

14 COMMISSION CHAIRPERSON SHAPIRO: Well, we
15 understand. There's a cost to this and we have to figure
16 out how it gets paid for.

17 But at this point in time what I think we want to
18 do is we want to see what you can do with our data. We will
19 make that available to you, through staff.

20 And we also will move forward with a proposed rule
21 that would enable us to take action on this.

22 Unless anybody on the Board does not think this is
23 a good idea, I would also instruct staff to move forward to
24 work with Izzy, and RCI, to create a rule that would allow
25 us to put this in place, should we like what we see and we

1 figure out to pay for it.

2 Because, again, I think this is of paramount
3 importance to do, and yet we need to concurrently move on,
4 on a variety of paths here.

5 MR. SOBKOWSKI: And, Mr. Chairman, I'd like to
6 publicly commit to you that within 14 days of getting data,
7 we'll give you preliminary results.

8 COMMISSION CHAIRPERSON SHAPIRO: And that would be
9 terrific, okay.

10 COMMISSION VICE CHAIRPERSON HARRIS: Can we get an
11 estimate of how long it would take to get Scientific Games
12 moving on this?

13 COMMISSION CHAIRPERSON SHAPIRO: I think all they
14 need is a directive from our Executive Staff to provide the
15 information to them. That's my understanding of what Sci
16 Games needs. Is that correct?

17 EXECUTIVE DIRECTOR BREED: I think so.

18 COMMISSION CHAIRPERSON SHAPIRO: And so we will do
19 that immediately. And that, therefore, we can get this,
20 because this is of real interest to us.

21 MR. SOBKOWSKI: Thank you very much.

22 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you
23 for coming out from New York, appreciate it.

24 Okay. Any other comment? If not, I'm going to
25 move forward.

1 Okay, Item Number 8 -- the next two I hope will be
2 short, and then we're going to get to the one that I think
3 most people -- or one of the ones most people want to talk
4 about.

5 Item Number 8 is discussion and action by the
6 Board regarding the request for approval from SCOTWINC to
7 change the current 1.06 percent offsite stabling and vanning
8 fund takeout up to the maximum 1.25 percent pursuant to
9 Business and Professions Code Section 19607.

10 And I would suggest, if we can, why don't we hear
11 8 and 9 together, they're really the same thing, there's one
12 for the North and one for the South. And the percentages
13 are one is 1.25 and one is 1.20, which is, I think, up in
14 the North.

15 This is their statute that provides for this.
16 This is the fund that pays for the stable and vanning, as I
17 understand it, and due to costs and other things it is
18 necessary to fund this, that we need to let them increase to
19 the maximum permitted under the law.

20 COMMISSION VICE CHAIRPERSON HARRIS: We need to
21 keep in mind this money comes from the horsemen and the
22 tracks.

23 COMMISSION CHAIRPERSON SHAPIRO: Right.

24 COMMISSION VICE CHAIRPERSON HARRIS: So they are
25 in concurrence on the --

1 COMMISSION CHAIRPERSON SHAPIRO: I don't believe
2 there is any opposition to this.

3 Is there? If there is no comment and I don't have
4 any comment cards, I would recommend that we move forward
5 and approve Items 8 and 9, if there's a motion to do so.

6 COMMISSIONER ANDREINI: So moved.

7 COMMISSION CHAIRPERSON SHAPIRO: It's moved.

8 Is there a second?

9 COMMISSIONER ISRAEL: Second.

10 COMMISSION CHAIRPERSON SHAPIRO: All in favor?

11 (Ayes.)

12 COMMISSION CHAIRPERSON SHAPIRO: All right. Okay,
13 Item Number 10, discussion and action by the Board regarding
14 the allocation of race dates and related issues for 2009 and
15 beyond.

16 To do this, I'm going to start with the easy ones,
17 which would be the night calendars.

18 We have, in our packages, calendars for both
19 harness racing at Cal-Expo, it calls for 148 days of racing
20 at night at Cal-Expo.

21 I would move -- I would like to see that this is
22 approved, with the flexibility that with administrative
23 approval they can go to four nights per week, horses and
24 circumstances dictating.

25 And is there a motion to approve that?

1 COMMISSIONER ISRAEL: So moved.

2 COMMISSION CHAIRPERSON SHAPIRO: Is there a
3 second?

4 COMMISSIONER ANDREINI: Second.

5 COMMISSION CHAIRPERSON SHAPIRO: Any discussion?
6 There being none, all in favor?
7 (Ayes.)

8 COMMISSION CHAIRPERSON SHAPIRO: Okay. The next
9 is the Southern California night calendar, which is quarter
10 horses at Los Alamitos, which provides for 201 racing dates
11 throughout the year.

12 And I, again, would look to see if there's a
13 motion to approve that.

14 COMMISSIONER ANDREINI: So moved.

15 COMMISSION CHAIRPERSON SHAPIRO: Second?

16 COMMISSIONER ISRAEL: Second.

17 COMMISSION CHAIRPERSON SHAPIRO: All in favor?
18 (Ayes.)

19 COMMISSION CHAIRPERSON SHAPIRO: It's approved.

20 Okay, that will bring us to Southern California.
21 Hold on a second here. The Southern California thoroughbred
22 calendar.

23 I think everybody has in their book what that is,
24 but just to -- I'll try to do it. It calls for Los Angeles
25 Turf Club commencing on December 26th and continuing through

1 April 19th, running 84 days.

2 At which point Hollywood Park, in the spring,
3 would run for 65 days, beginning on April 27th and
4 concluding on July 19th.

5 Two days later Del Mar opens up with 43 days.
6 They are running a six-day-a-week schedule, as they have in
7 the past. And they are continuing until September 9th.

8 We would then -- September 9th.

9 The next meet in our calendar shows that Fairplex
10 would open on September 10th. Is that right? September
11 10th. So they would run on September 10th, and they would
12 run continuously, six days a week, until the 28th.

13 However, they have agreed to give up Monday,
14 September 14th, so that they could open on Wednesday -- no,
15 Tuesday -- I'm sorry, they will open the day after Del Mar,
16 on the 10th, but they will give up racing on Monday, the
17 14th. And they will race through the 28th of September.

18 At which point Oak Tree opens on the 30th of
19 September and runs until November 8th.

20 At which point the Hollywood Park Fall meeting
21 would then be run from the 11th of November to the 21st of
22 December.

23 It is my understanding that all of the racing
24 associations involved here have reviewed and approved this
25 as the calendar they're presenting to us and, therefore, I,

1 personally, have no objection to it.

2 Is there any Commission that has any comment? If
3 not, we'll ask and see if there's any public comment.

4 COMMISSIONER CHOPER: I just wanted to know if
5 Hollywood, now, and maybe this was done, is now committed to
6 run at least through the calendar as presented in front of
7 us?

8 COMMISSION CHAIRPERSON SHAPIRO: It's my
9 understanding that their position has not changed from what
10 they've said in the past.

11 COMMISSIONER CHOPER: Which is?

12 COMMISSION CHAIRPERSON SHAPIRO: Which is that
13 they would give six months prior notice.

14 COMMISSIONER CHOPER: Yeah, that's right. Okay.

15 COMMISSION CHAIRPERSON SHAPIRO: Okay? Therefore,
16 okay --

17 COMMISSION VICE CHAIRPERSON HARRIS: So we would
18 know by what date, then?

19 COMMISSION CHAIRPERSON SHAPIRO: May.

20 COMMISSIONER ISRAEL: May 11th.

21 COMMISSION VICE CHAIRPERSON HARRIS: Yeah. Well,
22 one thing I noticed, I was actually -- over the years
23 there's been a lot of discussion of an extended, so-called
24 holiday break, and which I never really bought into too
25 much.

1 But I was looking at Hollywood, would it be a
2 possibility of Hollywood closing on Sunday, the 20th, versus
3 Monday, the 21st, to make at least a -- you'd have a five-
4 day break there between their close and Santa Anita, or is
5 that Monday -- do you really make that much money on that
6 Monday, anyway?

7 COMMISSION CHAIRPERSON SHAPIRO: Jack Liebau.

8 MR. LIEBAU: Jack Liebau, from Hollywood Park.
9 There is an agreement between all concerned that if by
10 chance Hollywood closed, and we're not going to run in 2010,
11 that that would be a great day. I can attest to that, as
12 far as what happened in Bay Meadows.

13 And if, which I -- well, assuming Bay
14 Meadows -- or Hollywood Park ran in 2010, Hollywood Park
15 would not run on that Monday.

16 COMMISSION VICE CHAIRPERSON HARRIS: Well, they
17 might not run on a Monday unless that was your grand finale,
18 I understand.

19 MR. LIEBAU: That's correct.

20 COMMISSION VICE CHAIRPERSON HARRIS: Okay, another
21 issue I had was, was there any consideration for any four-
22 day weeks? You know, we're doing some four-day weeks in the
23 North. In the South, or is that though that that's just not
24 going to work? I guess not. On potential four-day weeks in
25 the South.

1 COMMISSIONER MOSS: I think if Hollywood closed
2 and we found out about it on the 11th of May, you would have
3 a lot less horses, I think, to run at Oak Tree and Del Mar,
4 anyway.

5 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, that's
6 true.

7 COMMISSIONER ISRAEL: I'm just curious why Pomona
8 wanted that date change?

9 COMMISSION CHAIRPERSON SHAPIRO: They wanted it
10 because they wanted to race concurrent with when their
11 fair's operating.

12 COMMISSIONER ISRAEL: Oh, okay.

13 COMMISSION CHAIRPERSON SHAPIRO: It kind of makes
14 sense, actually.

15 COMMISSION VICE CHAIRPERSON HARRIS: I'm not sure
16 if that fair at Pomona, do you operate on the 29th of
17 September? Because I was under the impression that -- it
18 always seemed sort of counter-intuitive to me that I think
19 your fair concludes on that Sunday, but you still race on
20 the Monday.

21 MR. GOODRICH: Commissioner, Cliff Goodrich,
22 speaking for Fairplex.

23 Yeah, historically, we used to have 19 days, and
24 then 18, and then 17, and now 16. And so we have raced on
25 that Monday for some years, Oak Tree has consented to that.

1 I think they realize that it doesn't harm them that much
2 because, largely, it's different horses.

3 It's very important to Fairplex, they only race 16
4 days out of an entire calendar, and to take one day out of
5 that 16 is a pretty big bite, versus one out of 40, or 60,
6 or 80 that somebody else might give up.

7 And I think the Commissioner's right, the fair is
8 going to open earlier this year, and by racing on that
9 Thursday, we have 40,000 people on the grounds, while on
10 that first dark Monday the fair is closed, so that's why the
11 swap for Thursday, instead of Monday.

12 COMMISSIONER ISRAEL: I mean, it says you have 17
13 days, that's not accurate?

14 MR. GOODRICH: Well, we had 17 until we, in the
15 spirit of things, gave up that first Monday, so it's now
16 reverted back to 16.

17 COMMISSION CHAIRPERSON SHAPIRO: Okay. Is there
18 -- if there's no other comments, I'll take a motion.

19 COMMISSIONER ANDREINI: So moved.

20 COMMISSIONER MOSS: Second.

21 COMMISSION CHAIRPERSON SHAPIRO: It's moved. Is
22 there a second?

23 COMMISSIONER MOSS: I did.

24 COMMISSION CHAIRPERSON SHAPIRO: Second.

25 All in favor?

1 (Ayes.)

2 COMMISSION CHAIRPERSON SHAPIRO: Okay. That
3 brings us to Northern California.

4 COMMISSIONER ANDREINI: So you have two schedules
5 to look at.

6 COMMISSION CHAIRPERSON SHAPIRO: Well, they don't.
7 Well, let me get into it.

8 In Northern California, this is the first year
9 without Bay Meadows, and I want to remind everybody that
10 what we did was, we said to all of the various stakeholders,
11 you tell us what you want, you do what's best.

12 And, frankly, I've kind of come to the place where
13 I believe that you're the stakeholders, you're the people
14 with the vested interest. Our job is to protect the fans
15 and try to make sure that racing's put in the right place
16 at, hopefully, the right times.

17 And so I appreciate all the hard work that's come
18 forward to put together the calendars that are in front of
19 us.

20 Personally, I don't like the calendar. But it's
21 not -- I guess, you can't make everybody happy.

22 And the reason I don't like it is that I think
23 that there are some inherent flaws in the calendar where
24 we're not looking at where we should be putting race meets,
25 at what times.

1 And, unfortunately, I think a lot of that is
2 dictated by when the fairs, not the racing part, the fairs
3 are operating, and they have racing in conjunction of their
4 fairs, and it doesn't seem to me to be a very well-flowing
5 calendar.

6 For example, we seem to go -- we go from Golden
7 Gate to -- it appears that we go to Golden Gate, then we go
8 back to -- what's this one, this here? To Stockton.

9 COMMISSION VICE CHAIRPERSON HARRIS: Stockton.

10 COMMISSION CHAIRPERSON SHAPIRO: Then you go back
11 to Pleasanton, then you go to, you know, Sacramento, then
12 you go back to Golden Gate, and then you go to Fresno.

13 It seems to me we would be better served if we
14 said that, okay, during a certain part of the year we're
15 going to race the Stockton/Sacramento/Fresno grouping, where
16 they were contiguous, and it would make more of a, what I'll
17 call Central Valley circuit, instead of this, the way it
18 works now.

19 But I recognize to do that some of the fair
20 schedules would have to be changed.

21 And so I know that's not going to happen this
22 year. But I would hope, as we look forward, a different
23 calendar could be put together.

24 So let's go through what the calendar is, because
25 it would appear to me that everybody, as far as I know, is

1 pretty much in agreement, except for what I would call one
2 week of racing.

3 And that one week would be July 22nd through July
4 26th, which would be the final week of racing at Vallejo.
5 And I stand to be corrected if anybody's telling me I have
6 it wrong.

7 But, essentially, we start on December 26th, at
8 Golden Gate, and that continues in their fall/winter meeting
9 until March 1st, at which point their spring meeting starts
10 on March the 4th, and it continues until June 14th.

11 All right, at which point Stockton then starts on
12 June 18th and continues until June 28th.

13 Thereafter, Pleasanton opens on July the 1st and
14 continues until July the 19th.

15 At which point we have that one week I spoke of,
16 which is July 22nd through July 26th, which is the final
17 week at Vallejo, if that is where that week is to go.

18 You then open on July the 29th, at Santa Rosa for
19 two weeks. At which point -- which is August 9th.

20 And then you go to Golden Gate Fields on August
21 12th, as a CARF or fair benefit meeting, and that runs
22 August 12th through August 23rd.

23 While Ferndale opens on August 13th and runs
24 through the 23rd. Those two are overlapped.

25 After that, Sacramento opens and races August 26th

1 through September 7th, at which point they return to Golden
2 Gate for September 9th through October 4th.

3 At which point Fresno opens on October 7th and
4 continues through October 18th, at which point we start all
5 over again at Golden Gate on October 21st, and it concludes
6 on December 13th.

7 So if you're not thoroughly confused, that would
8 be the Northern California calendar.

9 Okay, so --

10 COMMISSION VICE CHAIRPERSON HARRIS: Well, I like
11 the idea of moving around, only because if somebody wants to
12 stable at Golden Gate, they can. If they want to move, they
13 can.

14 COMMISSION CHAIRPERSON SHAPIRO: Well, my concern
15 is that horses will go -- there are a couple of places in
16 this calendar where I'm concerned horsemen won't ship and
17 won't get the support that they need.

18 But, again, this is what the industry has come to
19 a consensus of agreement on.

20 And so I think now it's time to hear from the
21 Board, other Commissioners, and then I've got a whole bunch
22 of stacked cards.

23 COMMISSIONER ISRAEL: Where are you afraid they
24 won't ship?

25 COMMISSION CHAIRPERSON SHAPIRO: Pardon me?

1 COMMISSIONER ISRAEL: Where are you afraid they
2 won't ship?

3 COMMISSION CHAIRPERSON SHAPIRO: Well, let's just
4 look at it here. Okay, if you look at -- if horses are
5 racing on August 12th, at Golden Gate -- I'm not talking
6 about Ferndale.

7 COMMISSIONER ISRAEL: Right.

8 COMMISSION CHAIRPERSON SHAPIRO: Okay, and
9 then --

10 COMMISSIONER ISRAEL: Then they won't go to
11 Ferndale.

12 COMMISSION CHAIRPERSON SHAPIRO: No, they're not
13 going to go to Ferndale.

14 But then two weeks after that they go to
15 Sacramento, they ship down to Sacramento, and two weeks
16 later they go back to Golden Gate. That's two weeks.

17 COMMISSION VICE CHAIRPERSON HARRIS: Well, there's
18 a whole bunch of different horsemen, though. It's not all
19 the same horsemen, I think.

20 COMMISSION CHAIRPERSON SHAPIRO: All right. And
21 then -- well, he asked me a question, so I'm just saying.

22 COMMISSIONER ISRAEL: Yeah, I just wanted to
23 understand what you meant.

24 COMMISSION CHAIRPERSON SHAPIRO: And then you go
25 back to Golden Gate, and then you have a break for Fresno of

1 two weeks, and back to Golden Gate.

2 So my concern on some of these small meetings that
3 are between -- you know, will people leave the Bay Area? I
4 don't know, I'm not a horseman.

5 COMMISSION VICE CHAIRPERSON HARRIS: Well, I think
6 the thing is that if you've got --

7 COMMISSION CHAIRPERSON SHAPIRO: I hope I'm wrong.

8 COMMISSION VICE CHAIRPERSON HARRIS: Well, if
9 you're a trainer with 10 horses, you're not running every
10 horse every day. Maybe you run one place, and then you'll
11 wait and two weeks later, three weeks later another place.
12 It's going to work out.

13 I think it will be ample -- I think the main thing
14 I really like about what's happened here is you've gone to
15 five-day weeks.

16 COMMISSION CHAIRPERSON SHAPIRO: Right.

17 COMMISSION VICE CHAIRPERSON HARRIS: You've gotten
18 away from the six-day weeks which were really an anchor on
19 the horse population.

20 COMMISSIONER MOSS: Is every meet around the State
21 Fair?

22 COMMISSION CHAIRPERSON SHAPIRO: Yes, every meet
23 coincides with the fair that's taking place at that point.
24 Thank you, that's a very good point.

25 COMMISSIONER ISRAEL: That makes sense, then.

1 COMMISSIONER CHOPER: And that was the
2 hook -- that was the hook last time.

3 COMMISSION CHAIRPERSON SHAPIRO: The last time we
4 had Sacramento racing, but not when their fair was going.

5 Now, the fair activities and the racing are
6 aligned, which is a good thing.

7 COMMISSION VICE CHAIRPERSON HARRIS: I don't know,
8 the one I'm not sure would really work is that five-day meet
9 at Vallejo, if that's going to really be viable.

10 COMMISSION CHAIRPERSON SHAPIRO: Well, that's the
11 other one, right.

12 So what we're talking about is this would be
13 Vallejo's last race meeting.

14 COMMISSION VICE CHAIRPERSON HARRIS: Well, why is
15 that?

16 COMMISSION CHAIRPERSON SHAPIRO: They
17 have -- well, I'll let them answer, I'm not going to
18 comment.

19 I see Mr. Barkett is here.

20 MR. BARKETT: Thank you, Mr. Chair, Commissioners.

21 COMMISSION CHAIRPERSON SHAPIRO: Name?

22 MR. BARKETT: Joe Barkett, General Manager, Solano
23 County Fair Association and the Chair of the California
24 Authority of Racing Fairs for another two weeks. And on
25 December 1st, John Alkire, from the Big Fresno Fair, will be

1 taking over.

2 As some of you Commissioners know well, and maybe
3 some of you don't yet know, we have been working -- and when
4 I say "we," the fairs have been working with the various
5 horsemen's groups, and with Magna to plan for the future.

6 There have been many, many important, difficult,
7 and complicated issues that we have been trying to work
8 through the last few years. I'll just touch on a couple of
9 them.

10 One of them is with Bay Meadows closing as a
11 racetrack, attention needed to be turned to fairs, and fair
12 facilities in Northern California, and significant
13 investment needed to be made. Not in all the fair
14 facilities in Northern California because that just wouldn't
15 make sense. There isn't enough money to upgrade all of
16 those facilities and spread the Bay Meadows weeks amongst
17 the fairs. Although we would have liked to have done that,
18 but we recognized that was not feasible.

19 I think, just about, the fairs have unanimously
20 agreed, it seems to be the consensus of the entire industry
21 that the future for Northern California racing, as far as
22 fairgrounds are concerned, is at the Alameda County
23 Fairgrounds, in Pleasanton.

24 And we needed to find a way to get as much
25 investment as we could into that facility. And we needed to

1 do that by coming together as fairs and working
2 collectively.

3 Another area that has been of major concern to all
4 of us, and we've been working on, is the availability of
5 horses, the population of horses.

6 And also the difficulty, which I think the
7 Chairman just alluded to, of moving every two weeks from
8 fair to fair. Even though, historically, fair racing has
9 been very popular and very beneficial to the sport for many,
10 many, many years.

11 That aside, we have been working to try to
12 consolidate fair racing, to work out ways to enable the
13 fairs that are willing to, or for whatever reason are able
14 to allow their race weeks, that traditionally have been
15 raced at their facilities, to be raced somewhere else.

16 It may sound simple. It's not simple. Fairs are
17 very much dependent, not just in terms of what their
18 racing -- their fair dates are, but in terms of the revenues
19 that they generate from horse racing, and have
20 traditionally, and how to make that transition.

21 There's a long-winded intro to where we are now,
22 with respect to, I think, the two issues that are most
23 notable in this calendar.

24 One is, the Solano County Fair, in Vallejo, which
25 has been a very, very successful race meet for 60 years, one

1 of the Bay Area race meets. And, frankly, in terms of
2 handle, not on-track, but off-track handle, very comparable
3 to the other two Bay Area race meets.

4 But the Solano County Fair and Solano County
5 recognize that at some point, and we're many years down the
6 road on this, but at some point that property will probably
7 be used for some other purpose, as many of you know.

8 Therefore, we have worked out, painstakingly over
9 the past few years, but we have worked out a formula where
10 sooner, rather than later, the two weeks of racing that have
11 traditionally run at Vallejo, would be run at other fairs,
12 such as Pleasanton, or maybe in the future Pleasanton and
13 Santa Rosa, or whatever.

14 What the Solano County Fair Board and the Solano
15 County Board of Supervisors are very, very much asking for,
16 and I'm here to implore you, that this would be the 60th
17 year of racing at Vallejo. This will be their last year of
18 live racing at Vallejo. They want to have one more week of
19 racing at Vallejo, as they close out their really important
20 history with this sport.

21 It's an emotional and a difficult thing for that
22 community which, frankly, is still very troubled that they
23 have been targeted as a fair that, you know, isn't as
24 important as the other ones.

25 But I think they've come to grips with that. I

1 think they want to go out with their heads held high.

2 Basically, have that 60th year, one week of racing during
3 the fair at the Solano County Fair in July of 2009.

4 And we have even agreed to move our fair back a
5 week, which we were able to do, to enable Pleasanton, which
6 would race what was traditionally the first week at Vallejo.
7 That week will go to Pleasanton, and Pleasanton will be able
8 to extend their fair an extra week, so that's there's an
9 extra week of racing at Pleasanton that will be overlapping
10 with the fair.

11 So that is -- that is the one big factor, the
12 Vallejo week factor.

13 The other one that you've talked about, which I
14 think I can speak to a little bit, as the Chair of CARF, and
15 that is that another important and very cooperative
16 agreement that we've come to with the Magna people, and
17 Golden Gate Fields, is that they have agreed to run several
18 weeks of racing, the ones you were talking about in August
19 and September.

20 And they've agreed to run them for the benefit of
21 fairs, so that monies that are -- the profit, basically,
22 that's generated from those weeks of racing would be
23 available to use for this plan for fairs to go forward, and
24 the highest priority for those monies are improvements at
25 the Alameda County Fair, in Pleasanton.

1 So those weeks, although they may look a little
2 funny, when you just look at the calendar in a vacuum, those
3 weeks are very important to fairs to move forward with this
4 planning for the future.

5 COMMISSION CHAIRPERSON SHAPIRO: Thank you, Joe.
6 And I do want to acknowledge, you know, over the past few
7 years I think you've worked tirelessly to try and help
8 improve this calendar, and work with the industry and the
9 Board, and it's certainly not lost on me that I think that
10 you've tried to move forward whether last -- you know, a
11 year or so ago it was the combined fair meet that you worked
12 on.

13 And I want members, who are new to the Board, to
14 know that Joe has worked very hard to try and find a way to
15 help racing. And so I extend my thanks to you.

16 MR. BARKETT: Thank you.

17 COMMISSION CHAIRPERSON SHAPIRO: Okay.

18 COMMISSIONER CHOPER: You're also a very effective
19 advocate for Vallejo, I want you to know that.

20 MR. BARKETT: I appreciate that.

21 COMMISSIONER CHOPER: You're not a lawyer, are
22 you?

23 MR. BARKETT: Actually, I am.

24 (Laughter.)

25 MR. BARKETT: I read your textbook.

1 COMMISSION CHAIRPERSON SHAPIRO: Was it required
2 just everybody had to take your damn class?

3 MR. BARKETT: I'm a lot younger than I look.

4 COMMISSION CHAIRPERSON SHAPIRO: Everyone says
5 that, too.

6 (Laughter.)

7 COMMISSION CHAIRPERSON SHAPIRO: Okay.

8 COMMISSIONER ISRAEL: What I've learned, since
9 I've been on this Board, it's just a lot easier to say who's
10 not a lawyer, than who is a lawyer, in this industry.

11 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you,
12 Joe.

13 All right, I'm going to go -- I'm going to go
14 through the cards here. Tom Bachman?

15 And you guys can like line up, if you want.

16 Because I got Tom Bachman, Gloria Haley, Drew Couto, Peggy
17 Nelson, Robert Hartman, R.B. Hess.

18 Okay, Tom, go ahead.

19 MR. BACHMAN: Tom Bachman, Vice Chair TOC,
20 Northern California.

21 I appreciate most of what Joe said. Vallejo has
22 been a pivotal part of the circuit. In the last five years,
23 or so, has ended up being kind of the weak link. Not
24 because of the quality of the track, which is probably one
25 of the better surfaces around, but it's just the lack of

1 attendance and lack of handle.

2 And it seems to me that it's been a one-way
3 street, no matter how hard anybody worked to turn it around.

4 I think that for the benefit of the Northern
5 Circuit, Vallejo would be better off shutting down now.

6 And I say that -- sure, there' sentimentally to
7 run one more year, but it seems to me we've been in that
8 mode for the last three or four years.

9 It is costly to the horsemen in Northern
10 California to try and move somewhere for one week. It has
11 to be costly for the Vallejo Fairgrounds to open up that
12 track, fix the barn area to make it receptive for the horses
13 to come in for one week.

14 And because of a drop in the handle that most
15 certainly is painful to the purse structure in the north.

16 I think a better scenario would be to take that
17 week and give it to Santa Rosa, which would allow us to have
18 five weeks of turf racing during the summer, which would be
19 pleasing to all horsemen.

20 And I think one of the problems that has been,
21 which is something that is not spoken of openly, is the buy-
22 out procedure for these fairs who are giving up their dates.

23 Now, it's my understanding that nobody owns dates,
24 therefore, these dates should not be sold.

25 I do think that a fair, when they go out of

1 business, should be paid in some fashion. But it has not
2 been privy to the TOC, to the horsemen in the north, what
3 these negotiations are.

4 And it concerns me that people will stay in
5 business just to demand more money from their cooperative
6 group, and that is the only reason they're staying in
7 business.

8 I think that there will be a major contraction in
9 the number of horses and dates in the summertime, when you
10 look at the economic situation right now, and the horses, of
11 course, at the bottom are most affected, because their
12 purses are the least.

13 And I think we will see a lot of those horses not
14 coming to the table this summer, especially in the emerging
15 breeds.

16 So I think there's going to be a tremendous
17 pressure this coming summer, and if the economy doesn't turn
18 around, for the continuing summers.

19 And the final agreement to lose one day a week was
20 pivotal, but I'm afraid we're still kind of behind the eight
21 ball.

22 I think that to move that week to Santa Rosa, and
23 have it be a more successful week, with one less move for
24 people, would be a tremendous plus to the calendar in the
25 summer.

1 Joe has said that they would go out of business.
2 I understand that. I understand it's a very valuable piece
3 of property. It was to be developed some years ago and I
4 believe the developer filed bankruptcy, or something
5 happened to the deal and he stayed in business.

6 But we need to start to think about what happens
7 in the coming years, as far as making a healthy circuit in
8 the north, and this is step one.

9 And I understand there's great feelings for the
10 60th year, but I think that should be superseded by the
11 health of the industry in the north.

12 COMMISSION CHAIRPERSON SHAPIRO: I didn't
13 understand what you said with respect to selling the dates,
14 or owning the dates, and that, can you explain what --

15 MR. BACHMAN: Well, it's my understanding, amongst
16 the fairs, that they are grandfathering each other out of
17 business. So it would be a good question to ask why Santa
18 Rosa did not want to step up and take the date, again.

19 And what was the split two years ago, when they
20 did a cooperative week, and who made money on that week and
21 who didn't make money on that week.

22 Because it seems to me, if the person's going out
23 of business, that money is better spent on the horsemen, and
24 the people who are going forward in business, rather than
25 spending money on the person who's walking out.

1 It's something that's not been brought to the
2 table, and I think we should understand what those
3 negotiations are.

4 MR. BARKETT: Mr. Chair, I think I can address
5 that.

6 COMMISSION CHAIRPERSON SHAPIRO: Okay.

7 MR. BARKETT: And I do think there's a
8 misunderstanding here.

9 First of all, let me separate the consolidated
10 meet, that the Solano County Fair and the Sonoma County Fair
11 ran a couple of years ago.

12 In that particular instance, we consolidated our
13 two weeks into a four-week meet, in which we shared the
14 expenses and the revenues of that meet.

15 Actually, the Sonoma County Fair made out a little
16 bit better than they had the prior year, and the Solano
17 County Fair wound up a little bit worse than they did the
18 prior year.

19 But, for various reasons, the Sonoma County Fair
20 chose not to go forward with that, again.

21 What we're talking about now, in this calendar,
22 and what I think Mr. Bachman is referring to, is that fairs
23 have come together, collectively, they're working together.

24 They're saying, unlike what they did in years
25 past, where they would, you know, all fight for their own

1 two weeks of racing, and then all fight for whatever monies
2 were out there, and whatever dates they could get, they've
3 decided that the future, it's necessary for them to work
4 together.

5 And to do that, that means that some monies, that
6 might have been spread amongst the fairs, are going to be
7 directed toward a particular fair, where the need is
8 greater, such as Pleasanton.

9 It means that if we're going to reduce the number
10 of fair sites then, you know, we have taken into
11 consideration the financial impact.

12 In the case of Vallejo, what we have worked out is
13 a deal that would transition. So some of the monies that
14 are going to be generated from those additional weeks of
15 racing would go back to the Solano County Fair for a period
16 of years.

17 And then, after a certain number of years, and in
18 this case it's, hopefully, corresponding to when Solano
19 County will be able to, hopefully, get their development
20 going and replace that revenue, then that revenue would go
21 away and then the Solano County Fair would no longer be
22 benefitting from racing.

23 I'm not here to quarrel with Mr. Bachman, but I
24 remember in our early conversations that's exactly what he
25 recommended we do. And, in fact, that's what we've done.

1 MR. BACHMAN: Well, it's a question of what the
2 number is and whether it's profitable for another fair to
3 pick that week up.

4 And I think, as I said here, it's the idea to
5 grandfather out, but it's a question of what that costs.

6 COMMISSION CHAIRPERSON SHAPIRO: Well --

7 MR. BACHMAN: And then, in a situation we're in
8 right now, economically, it could be prohibitive for another
9 fair to pick up those dates.

10 MR. BARKETT: Well, I can say the number right
11 now, so as not to beat around the bush.

12 Basically, CARF has had some discussions amongst
13 all its members, and I have discussed this with Rick
14 Pickering, from the Alameda County Fair. And, basically,
15 the number's a little over 300,000 that would be guaranteed.

16 Those monies, we are comfortable, will easily come
17 from the additional -- 300,000 per week will easily come
18 from the additional off-track wagering. Not even -- it
19 won't even affect the on-track. The additional on-track
20 revenues that would go to Pleasanton, would all stay with
21 Pleasanton. And a certain amount of revenues generated from
22 the extra week of off-track would be going to the Solano
23 County Fair.

24 COMMISSION CHAIRPERSON SHAPIRO: So can I
25 just -- I want to make sure I understand this. So if it's

1 \$300,000, essentially, you'll give up your -- let's call it
2 a week, you'll give a week. Okay.

3 MR. BARKETT: Right.

4 COMMISSION CHAIRPERSON SHAPIRO: And of that
5 \$300,000, you're not going to conduct racing, but you would
6 still get the \$300,000 while somebody else is conducting the
7 racing --

8 COMMISSION VICE CHAIRPERSON HARRIS: They'd get
9 the rest.

10 COMMISSION CHAIRPERSON SHAPIRO: And they get
11 whatever's above the 300,000. Is that correct?

12 MR. BARKETT: That's right. We would get -- and
13 300,000 is a round number, it's a little over 300,000. But
14 it would be that number would come out of the off-track
15 wagering, attributable to that extra week, and that would be
16 for a period of years, five years in this case, and
17 then --

18 COMMISSION CHAIRPERSON SHAPIRO: So let me just
19 ask a question, okay, I understand that.

20 So let's say it's a million five, okay, a million
21 five, just using round numbers, okay. You're no longer in
22 the racing business, but what you did was you said for the
23 benefit of -- in your mind, for the benefit of the industry,
24 or whatever, the industry can do better by having the racing
25 over at, let's call it Pleasanton, okay.

1 But you're still going to get a million five from
2 horse racing; correct?

3 MR. BARKETT: Over the period of time.

4 COMMISSION CHAIRPERSON SHAPIRO: Over time, over
5 time, for the week.

6 COMMISSIONER CHOPER: Yeah, for that one week.

7 COMMISSION CHAIRPERSON SHAPIRO: That one week
8 will result in a million --

9 COMMISSION VICE CHAIRPERSON HARRIS: There's going
10 to be another week.

11 COMMISSION CHAIRPERSON SHAPIRO: I'm just to
12 understand it, whether it's one week or two weeks, but if
13 it's two weeks, it's doubled.

14 But let's call it for a week. It's a million
15 five, over five years, that is derived from horse racing,
16 that goes to your fair; is that correct?

17 MR. BARKETT: That is correct.

18 COMMISSION CHAIRPERSON SHAPIRO: Okay, so that's
19 correct?

20 MR. BARKETT: It goes to -- yes, it would go to
21 our fair.

22 COMMISSION CHAIRPERSON SHAPIRO: Okay.

23 MR. BARKETT: But there are other elements that
24 would benefit collectively. All fairs are working
25 collectively to benefit from the extra monies.

1 COMMISSION CHAIRPERSON SHAPIRO: Okay. But of
2 that million five that's going back to your fair, to
3 Vallejo --

4 MR. BARKETT: Right.

5 COMMISSION CHAIRPERSON SHAPIRO: -- what benefit
6 does that have to the horse racing industry. I mean, we all
7 know, and we're not talking about it here but, you know, the
8 fairs are funded by horse racing, and horse racing is
9 suffering. Horse racing is, right now, fighting for its
10 life to be viable.

11 So you, and are graciously saying, you know what,
12 we're not going to stay in horse racing. I understand that,
13 I think that's big of you.

14 But for five years you're going to take money out
15 of horse racing, while there are commercial tracks, and
16 others, who are going to possibly have to make up a
17 shortfall because of the less business of horse racing, to
18 fund fairs.

19 MR. BARKETT: No, I don't think --

20 COMMISSION CHAIRPERSON SHAPIRO: Am I missing it
21 here?

22 MR. BARKETT: Yeah, I think you are.

23 COMMISSION CHAIRPERSON SHAPIRO: Okay, help me
24 here.

25 MR. BARKETT: The Solano County Fair relies

1 tremendously on income from putting on its own race meet.
2 That's something different than the license fee that's paid
3 to the Fairs and Expositions Fund that supports fairs.

4 COMMISSION CHAIRPERSON SHAPIRO: Okay.

5 MR. BARKETT: That comes from all racing,
6 regardless of where it is.

7 COMMISSION CHAIRPERSON SHAPIRO: Okay.

8 MR. BARKETT: And that -- but the Solano County
9 Fair, that's a critically important part of its income.
10 There's no way it could just shut that off and in one year
11 make up over \$300,000 a week in revenues that it needs to
12 survive.

13 So if it couldn't do that, it would have to fight
14 with everything it had to keep that racing for as long as it
15 possibly could. There would be no incentive for us to be
16 able to work cooperatively with all the fairs in the
17 industry to accomplish what they want.

18 Now, nobody, not even the TOC has disagreed that
19 fairs need to be weaned from this, and they need to find
20 other sources of revenue, and whatnot, and we think we've
21 come up with a pretty good plan to do that.

22 Will the industry have racing benefit? We believe
23 it will. Because, hopefully, we wouldn't be doing this
24 otherwise, hopefully, there will be an incremental
25 improvement by racing these extra weeks at a track where

1 they can do a little bit better and, also, the horsemen
2 won't have to move that extra time and that will also
3 benefit them.

4 COMMISSION CHAIRPERSON SHAPIRO: Okay.

5 COMMISSIONER CHOPER: You know, maybe you
6 can -- are you going to have any special promotions for this
7 60th anniversary, can you build some hope up in Mr. Bachman,
8 to say that if the horsemen go there for this last week of
9 the Vallejo County -- of the Solano County Fair, that there
10 may be purse enhancement because of the promotion, or
11 something like that?

12 MR. BARKETT: We will do everything we can to
13 promote that as much as we can.

14 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, because
15 that's the compelling reason to give it to you, I think, if
16 you really pledge that it's going to be different. That if
17 you're over 60, you get in free.

18 MR. BARKETT: We'll do all -- we'll do every
19 promotion we can think of. Over 60, I don't know.

20 COMMISSIONER MOSS: One more question, the site of
21 the Solano Fair, you say, is about to be developed; right?

22 MR. BARKETT: Well, the County of -- I think Mr.
23 Shapiro mentioned, or Mr. Harris mentioned, earlier, about
24 six years ago the County of Solano entered into an agreement
25 with a development company, the Mills Corporation, to

1 develop the fairgrounds. That development would have
2 eliminated the racetrack facility.

3 The racetrack facilities are about 60 of the 150
4 acres of this very, very nice property at the intersection
5 of Interstate 80 and Highway 37, very valuable property.

6 The County of Solano and the City of Vallejo are
7 willing to -- they recognize that that property can be
8 better utilized than having a racetrack there that's only
9 used a few weeks a year.

10 COMMISSIONER MOSS: So the question I'd have, if
11 the development progressed in the midst of the five years of
12 your payments, what happens to the payment?

13 MR. BARKETT: If, right now, that Mills project
14 didn't happen for several reasons, the County's in the
15 process right now of planning for the future, it would be my
16 best estimate that it would be at least six, or seven, or
17 eight years before you're going to see that.

18 COMMISSION CHAIRPERSON SHAPIRO: So let me ask
19 Commissioner Moss's question a different way.

20 MR. BARKETT: Okay.

21 COMMISSION CHAIRPERSON SHAPIRO: Let's say that
22 you find another activity that, let's say you're car racing
23 on the oval, okay, and if the fair were to make \$200,000
24 from that, are you then willing to cap your income, your net
25 income at the 300,000, so that you don't have a windfall. I

1 think that was the question.

2 MR. BARKETT: We would. Yes. I think I
3 understood the question, but I knew that the likelihood of
4 that is slim or none.

5 But if that were to happen, we would have no
6 trouble.

7 For example, if the development were to occur on a
8 fast track and be done in four years, then those monies
9 would terminate.

10 COMMISSION CHAIRPERSON SHAPIRO: All right, thank
11 you.

12 MR. BACHMAN: May I close with a --

13 COMMISSION CHAIRPERSON SHAPIRO: Well, Tom, I've
14 got to get to a lot of other people here, and some of them
15 are actually your brethren.

16 Charlie? Okay.

17 MR. DOUGHERTY: Charlie Dougherty, California
18 Thoroughbred Trainers.

19 As Tom referred to and, you know, Joe, we've had
20 multiple, countless meetings regarding this circuit that we
21 developed.

22 And, obviously, it is a very emotional time for
23 Vallejo and we appreciate that.

24 But I must tell you, the CTT does not support the
25 one week going to Vallejo. We feel strongly that given the

1 economic times we're facing in racing, it's just
2 economically it makes no sense to open a barn area for one
3 week.

4 I could, and I have trainers here, with me, that
5 can give you some costs that would be related to going to
6 the facility and having to set up stalls and all that. It's
7 just -- the Stabling and Vanning Fund would take a pretty
8 good hit in order to open up that facility.

9 And the purse generations are just not there. You
10 know, we very much had hoped that Santa Rosa would have
11 considered that third week.

12 But as been referred to, the buyout process was
13 just something that Santa Rosa didn't want to be involved
14 with. So it looked like that fourth week would go to
15 Pleasanton, which we could support that, as well.

16 I mean, we very much, the CTT are in full support
17 of Pleasanton moving forward and getting, you know, a first
18 rate facility, of upgrading their barn area with added
19 stalls, getting a synthetic surface, adding a turf course.

20 And any ways that we can get monies generated
21 towards Pleasanton, we very much support.

22 But that being said, we just cannot support that
23 one week going to Vallejo, so we would ask that whether it
24 be Santa Rosa or Pleasanton, be very much considering that.

25 COMMISSION CHAIRPERSON SHAPIRO: Thank you,

1 Charlie.

2 You mentioned trainers, so I'm going to try to go
3 to some of the California trainers right now.

4 Gloria Haley.

5 MS. HALEY: Hello, Gloria Haley, a member of the
6 CTT Board.

7 And as a trainer, it is a huge fiscal impact upon
8 all of us to go ahead and move for one week for a fair meet.
9 We have to bed the stalls, we have to move the horses.
10 Transportation isn't paid for. There's just not a lot of
11 continuity.

12 We were hoping that one of the meets that had turf
13 racing would go ahead and take the extra meet, so we could
14 have a continuity for our horses.

15 Right now, we're racing on synthetic surface, and
16 it's much easier for the horses and safer for the horses to
17 go ahead and run on turf, and that's what we would really
18 prefer.

19 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

20 MR. HALEY: Thank you.

21 COMMISSION CHAIRPERSON SHAPIRO: Mr. Hess.

22 COMMISSIONER CHOPER: Can I ask a question?

23 COMMISSION CHAIRPERSON SHAPIRO: Oh, sorry.

24 MS. HALEY: Sure.

25 COMMISSIONER CHOPER: You operate out of Golden

1 Gate Fields?

2 MS. HALEY: That's correct.

3 COMMISSIONER CHOPER: What's the mechanics. I
4 mean, the financial mechanics, if you will, of vanning up?
5 Suppose you were going to enter a couple of horses at
6 Vallejo one day; right?

7 MS. HALEY: Right, yeah.

8 COMMISSIONER CHOPER: So wouldn't you just van
9 them up and van them back, in any event?

10 MS. HALEY: Well, generally, what I do, is I
11 generally bring my horse the night before, so you have to
12 pay for your groom to go to another facility. You need to
13 pay -- I mean, they have very small tack rooms. I don't
14 know if you've ever seen the facility, but they're
15 probably -- yeah, the tack rooms are maybe eight by eight,
16 and the grooms really don't --

17 COMMISSIONER CHOPER: Well, wouldn't you do that,
18 anyway? Suppose they still have two weeks, haven't you been
19 doing that all along?

20 MS. HALEY: Actually, we have been doing that, but
21 this is just for one week.

22 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, I was
23 under the impression that most people just vanned. They
24 didn't go the night before, they just vanned over from
25 Golden Gate.

1 MS. HALEY: Some people do that, John, because of
2 the facility, they have the theme park next door, and then
3 they have all the noises, and all the traffic problems, so
4 that's why I generally take my horses the night before,
5 because I think it's a little easier on them to settle in
6 and get acclimated to the area. So that's why I bring mine
7 the night before.

8 COMMISSIONER CHOPER: Thanks.

9 MS. HALEY: Anything else, gentlemen?

10 COMMISSION CHAIRPERSON SHAPIRO: No, thank you.

11 MS. HALEY: Thank you.

12 COMMISSION CHAIRPERSON SHAPIRO: You sat through
13 the whole meeting, but you don't want to comment? So that's
14 fine.

15 MR. HESS: I'm getting educated.

16 COMMISSION CHAIRPERSON SHAPIRO: Well, thank you.
17 And you have a nice son, by the way.

18 Okay. Okay, Peggy Nelson?

19 MS. NELSON: Thank you, Mr. Chair, my question's
20 been answered.

21 COMMISSION CHAIRPERSON SHAPIRO: Oh, thank you.
22 Thank you.

23 Cliff Goodrich, I assume, was --

24 MR. GOODRICH: Wouldn't touch it with a ten-foot
25 pole.

1 COMMISSION CHAIRPERSON SHAPIRO: Didn't think so.

2 Okay.

3 (Laughter.)

4 COMMISSION CHAIRPERSON SHAPIRO: Robert Hartman?

5 MR. HARTMAN: No, thanks.

6 COMMISSION CHAIRPERSON SHAPIRO: No, thank you,
7 says Robert.

8 Hey, this is going well.

9 Mr. Couto?

10 MR. COUTO: Give me the ten-foot pole.

11 COMMISSION CHAIRPERSON SHAPIRO: Imagine how you
12 think we feel.

13 MR. COUTO: Yeah. Drew Couto, Thoroughbred Owners
14 of California.

15 I want to begin by thanking Joe for his service on
16 the CARF Board. He has been a reasoned, calming, wonderful
17 representative of CARF who, I can say from TOC's stand
18 point, and likely Golden Gate Fields, and CTT, that he has
19 been wonderful to work with, puts the interests of the
20 industry at the forefront, and really is going to be missed
21 when he leaves in two weeks.

22 And so, you know, I want to begin by saying that
23 he's really been a joy to work with, as most of our fair
24 partners have been.

25 COMMISSIONER CHOPER: But?

1 MR. COUTO: It's not really a but. We talk about
2 the economics of this industry and, you know, this calendar
3 has evolved through the past few months. And, originally,
4 Vallejo was not running next year. And I think
5 they -- their weeks were going to to, initially, between
6 Pleasanton and I think Santa Rosa, and then Santa Rosa
7 became an issue, and then it looked like it was going to go
8 to Pleasanton, and then it was back on the calendar as one
9 final week in the 60th year, and we said okay.

10 And Joe -- Joe was as persuasive in our meetings
11 as he has been today.

12 And we said, we understand that, we understand you
13 want to do one more year, but there is a cost to the
14 industry of doing that.

15 When we were -- I ran some figures. When we were
16 looking at having that week run at Pleasanton, we eliminated
17 the daily stabling and vaning cost, which was \$7,000 and
18 some odd dollars, and that added up over that period of
19 time, to be just under \$50,000.

20 We looked at the differential in average daily
21 purses offered between Pleasanton and Vallejo at the same
22 time, and that's -- you know, on a daily basis, that's
23 22,000, so that's another \$112,000 that we're sort of giving
24 up to run that week at Vallejo.

25 And when we added up all the costs of running that

1 week at Vallejo, to Northern California purses, to the
2 Breeders' Awards, off-track stabling, Southern California
3 purses, track commissions, host fees, license fees, Maddy
4 Lab, Worker's Comp, location fees, NOTWINC, CMC, Stabling
5 and Vanning, and Backstretch Retirement, the total impact of
6 running that week at Vallejo, versus at Pleasanton, is
7 around \$490,000, that the rest of the industry is likely to
8 have to fund to run that week over there.

9 And so while I think, emotionally, we all share
10 Joe's predicament and we understand sort of the value of
11 doing that, but there comes a cost to the rest of the
12 industry to do that.

13 And we didn't, quite frankly, know how to rectify
14 that. Because we just spent, as an industry, looking at the
15 deficits that we're going to probably be confronted with
16 over the next 18 months, and they're frightening. We're
17 talking tens of millions of dollars in shortfalls, and
18 deficits, and it's probably ten million dollars or more.

19 And here, we're being asked to put another half-
20 million over there for the benefit of one last year to go
21 out peacefully.

22 And it's a lot of money. And while we -- you
23 know, we share everything Joe said, there comes a cost.

24 And what we originally said in our last meeting
25 with Vallejo, said, look, even at a bare minimum we're

1 talking about, if you just took purses, and Breeders'
2 Awards, and off-track stabling and vanning expenses, it's
3 somewhere just shy of 200,000.

4 If Vallejo wants one last week to go out,
5 historically, would they pay the 200,000 that we would
6 otherwise save by running elsewhere, would they pay the
7 industry the 200,000 that we're giving up to do this?

8 And that's where we were is can we do that? And
9 we didn't have a resolution of that.

10 So we share Joe's predicament, this is a very
11 tough issue, but somebody has to bear the cost. And at a
12 time when the rest of us are going to continue to go on, and
13 are looking at deficits of ten million dollars or more, can
14 we get any help out of it.

15 COMMISSIONER CHOPER: So you're saying the 500,000
16 additional cost, you subtract the 300,000 that would go, in
17 any event, under the analogous, or the Pleasanton agreement
18 for the second week, so it's 200,000, that's what we're down
19 to?

20 MR. COUTO: Well, we just did the calculation and
21 we looked at --

22 COMMISSIONER CHOPER: Well, roughly.

23 MR. COUTO: It's 199, roughly.

24 COMMISSIONER ISRAEL: So if it's \$40,000 a day in
25 purses, would that make a difference?

1 MR. COUTO: It's \$22,000 a day in purses --

2 COMMISSIONER ISRAEL: No, no, no, you need to make
3 up \$200,000?

4 MR. COUTO: Roughly, yeah. And that would also go
5 to --

6 COMMISSIONER ISRAEL: So maybe getting decent
7 total purse money --

8 MR. COUTO: It's not total purse money. What we
9 would be using is using approximately \$50,000 to go to the
10 Stabling and Vanning Fund, because we have a second site now
11 open, at \$7,150 a day, so we need to cover the cost of that,
12 which we wouldn't otherwise have if we were running that
13 week at Pleasanton. And then the difference in purses.

14 And so we are totally sympathetic, but somebody's
15 got to --

16 COMMISSIONER ISRAEL: And how would that money
17 help -- how would that money be disbursed. To make up the
18 \$200,000, how would you disburse it?

19 MR. COUTO: Well, I think you have four components
20 to that. You have the purses, you have the Breeders'
21 Awards, you have the off-track stabling expense, and the
22 off-track stabling revenues.

23 And I'm not just saying it's \$200,000. We can do
24 the calculation. But whatever the difference that we're
25 actually going to incur, if that would be paid to Stabling

1 and Vanning, and make up the difference between what we
2 would have seen on an average day in purses at Pleasanton,
3 versus an average day at Vallejo, we're fine.

4 And the Breeders', and the Breeders', we figure,
5 is probably 10,000 or less.

6 COMMISSIONER CHOPER: Would you repeat what you
7 just said, please?

8 MR. COUTO: Sure. I'll try. I'll try and I
9 apologize if I didn't say it clearly.

10 COMMISSIONER CHOPER: That's all right. No,
11 that's all right, let's see.

12 MR. COUTO: We know what we'll have for the seven
13 days in terms of off-track stabling expenses, that's going
14 to be \$7,150 a day, roughly, that we wouldn't otherwise
15 incur if we ran that week at Pleasanton. But since we're
16 going to run it at Vallejo, we're going to incur that.

17 COMMISSION CHAIRPERSON SHAPIRO: And that's to
18 open up another facility and to van horses there?

19 MR. COUTO: That is to maintain -- yeah.

20 COMMISSION CHAIRPERSON SHAPIRO: \$7,100 a day?

21 MR. COUTO: Yeah, and that's the cheapest --

22 COMMISSION VICE CHAIRPERSON HARRIS: That's what
23 they're paying, now.

24 MR. COUTO: That's the cheapest that we pay in the
25 State to keep open a facility on a daily basis.

1 MR. BARKETT: That's the amount the Alameda County
2 Fair is now getting, per day, to stable their horses.

3 COMMISSION CHAIRPERSON SHAPIRO: Okay, but they've
4 got 600 horses; correct? What is it --

5 MR. COUTO: No, what you would have to do is shut
6 down either Golden Gate, or Pleasanton, to recoup that cost.
7 If you're going to only have two open, then you have to
8 make -- you force everybody to move either from Pleasanton
9 over to Vallejo, or Golden Gate over to Vallejo.

10 COMMISSION CHAIRPERSON SHAPIRO: Why
11 can't --

12 COMMISSION VICE CHAIRPERSON HARRIS: That's not
13 going to happen.

14 COMMISSIONER CHOPER: That assumes that they're
15 all going to move?

16 COMMISSION VICE CHAIRPERSON HARRIS: None of them
17 will move.

18 MR. COUTO: None of them will move, that's the
19 problem is the cost of keeping two stabling areas open
20 during that period of time.

21 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, I'll
22 buy into that as being a true cost, but I'm not sure I buy
23 into some of the purse losses because that --

24 MR. COUTO: Well, the purse losses, what we did is
25 we compared this year. We're talking a couple weeks apart.

1 But if you look at average daily purses generated
2 at Pleasanton this year, they were over \$110,000 a day, and
3 the average daily purses generated at Vallejo were \$88,566
4 per day.

5 COMMISSION CHAIRPERSON SHAPIRO: So that's 30 some
6 odd thousand --

7 MR. COUTO: That's \$22,000 a day difference, times
8 five days, is \$111,000 plus.

9 COMMISSIONER ISRAEL: Let me ask a question this
10 way. Jack pointed out earlier -- Liebau, I don't know if
11 he's still here -- that going out of business forever is
12 great business your last week.

13 So wouldn't you expect a real spike in attendance,
14 and handle, and basically revenue, if you announce and
15 promote that we're going out of business forever?

16 And can't you then take that projected increase
17 and somehow make it -- make these guys whole, so that you
18 can get what you want, and they can get what they want?

19 COMMISSIONER CHOPER: Or even half whole.

20 MR. BARKETT: I wish that we could project that.
21 But, unfortunately, the Solano County Fair, the two-week
22 Solano County Fair going out of business, after 60 years, is
23 a very, very different thing than Bay Meadows going out of
24 business after all of its years.

25 I hope you're right. But I would be very

1 reluctant to project. But I do want to just -- and I don't
2 want to get you all mired in the details, but even assuming
3 that Drew's numbers are correct, and I don't necessarily
4 accept them, what he's basically talking about is what he is
5 projecting he'd make more than he made last year for that
6 second week.

7 COMMISSIONER CHOPER: And this year is not last
8 year.

9 MR. BARKETT: This year is not last year.

10 COMMISSION CHAIRPERSON SHAPIRO: You're dealing
11 with an -- you're projecting an increase over what was
12 realized last year. So when you say you're losing, you're
13 really not losing, you're giving up additional profit.

14 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, plus,
15 like one of the issues would be that you're assuming that
16 that -- an additional week, the week running in Vallejo,
17 would instead run at Pleasanton, and that would be their
18 fourth week in a row, which might not be the greatest week
19 over there.

20 MR. BARKETT: That's absolutely correct, and I
21 didn't want to make that argument. I don't accept the
22 premise of the average daily handle because Pleasanton is
23 now -- we've done this deal so Pleasanton can run its fair
24 three weeks, with three weeks of racing.

25 If it ran a fourth week, there would be no fair

1 going on then.

2 COMMISSION CHAIRPERSON SHAPIRO: Well, if
3 it -- no, go ahead.

4 COMMISSIONER MOSS: And you're not going to have
5 the Solano County Fair after this year?

6 MR. BARKETT: We are going to have the Solano
7 County Fair, we're just not going to have the racing after
8 2009.

9 COMMISSIONER ISRAEL: And they're going to -- now,
10 if I understand this correctly, you're assuming that you're
11 licensed going forward, and that you're essentially
12 relinquishing your dates in exchange for \$300,000 a year?

13 MR. BARKETT: We fairs, collectively, combine all
14 of our racing dates. We will be filing combined
15 applications for race meets.

16 COMMISSION CHAIRPERSON SHAPIRO: They, under the
17 law, the fairs can operate combined racing.

18 COMMISSIONER ISRAEL: I see. But they're
19 relinquishing their dates in exchange for \$300,000?

20 COMMISSION CHAIRPERSON SHAPIRO: Yes,
21 remuneration.

22 COMMISSION VICE CHAIRPERSON HARRIS: But
23 going --

24 COMMISSIONER MOSS: Is there a pari-mutuel
25 situation at the fairs in the next five years, are you going

1 to take bets?

2 COMMISSION CHAIRPERSON SHAPIRO: No.

3 MR. BARKETT: We have a satellite wagering
4 facility and we will continue to --

5 COMMISSIONER MOSS: That will be in operation
6 during the fair?

7 MR. BARKETT: Yes, we'll continue to keep that
8 going.

9 COMMISSION VICE CHAIRPERSON HARRIS: But going
10 forward, you're really talking about five years, two weeks.

11 MR. BARKETT: Right.

12 COMMISSION VICE CHAIRPERSON HARRIS: It really
13 would be two weeks, for five years, you would be getting
14 revenue back.

15 MR. BARKETT: Five years, and then we have a scale
16 down in years six and seven, and down to zero in year eight.

17 COMMISSION VICE CHAIRPERSON HARRIS: The only
18 thing I'm concerned about is that if the Board can retain
19 some discretion on who gets those weeks. I mean, you can
20 say, well, I bought these weeks and --

21 COMMISSION CHAIRPERSON SHAPIRO: No, no. I mean,
22 well, again, I believe the Board has the authority, and I'd
23 have to look at counsel, to award these weeks as it deems
24 fit.

25 Okay, but let's not lose sight of the reality here

1 that there are a lot of politics and concerns with each of
2 these fair boards, okay. Because I have a sneaking hunch
3 that whatever decision we make here could result in some
4 very disappointed people, who have a long history with
5 respect to these fairs, and their jurisdictions, and I
6 appreciate the Supervisor's office is here.

7 And I've never seen you at a meeting before, and
8 I'm sure that it isn't exactly because it's so much fun.

9 Okay, so I mean, but this is a very difficult
10 issue for all of us here, and I think we're being sensitive.

11 COMMISSIONER CHOPER: Jack, first, and then can I
12 say something?

13 MR. COUTO: Can I just make one final comment?

14 COMMISSION CHAIRPERSON SHAPIRO: You can say
15 something before, after, or during.

16 MR. COUTO: Then I can get out of here.

17 COMMISSION CHAIRPERSON SHAPIRO: All right.

18 MR. COUTO: Can I just make one final comment?

19 COMMISSION CHAIRPERSON SHAPIRO: All right.

20 MR. COUTO: I want to be clear that we're not
21 asking for a fixed dollar figure today. We're not asking
22 for a fixed dollar figure today.

23 So that the projections were merely to give
24 everybody an understanding of what the differential was.

25 What we're saying is to the extent that Vallejo

1 runs, we'd like to make certain that with all the deficits
2 and all the problems that we have, that the industry is not
3 asked to fund that last week, their swan song, as I think it
4 was called once before.

5 But that we, next year, go through the numbers and
6 there be a true-up to make certain that the additional costs
7 of running that week at Vallejo did not come out of the
8 pocket of owners, trainers, racetracks, and others who fund
9 this on an ongoing basis, but that there be some true-up to
10 hold -- to minimize the impact.

11 COMMISSION CHAIRPERSON SHAPIRO: The impact.
12 Thank you.

13 MR. COUTO: Thank you.

14 COMMISSION CHAIRPERSON SHAPIRO: Mr. Liebau, would
15 you like to add some wisdom to this, please?

16 MR. LIEBAU: Got a little history.

17 COMMISSION CHAIRPERSON SHAPIRO: Can you speak up?

18 MR. LIEBAU: I'm Jack Liebau.

19 COMMISSION CHAIRPERSON SHAPIRO: We don't bite,
20 you can sit down.

21 MR. LIEBAU: Jack Liebau's a historian. I, for
22 one, am not looking forward to the 60th anniversary of the
23 Solano County Fair, for a simple reason, Joe. I worked the
24 first day that the Solano County Fair had racing, on the
25 grandstand as an usher.

1 And so, for that reason, I'd rather forget how
2 many years it's been.

3 MR. BARKETT: You'll be the honored guess.

4 COMMISSIONER CHOPER: They'll let you do it again,
5 this year.

6 (Laughter.)

7 MR. LIEBAU: I note some people around here, who
8 could attest to the truth of what I'm about to say, and I
9 know that Mr. Harris can, and so can Mr. Tunney, in the
10 back, for sure.

11 And one of our friends, who's now deceased,
12 Senator Ken Maddy always had something to say about dates.
13 And if you'll recall, John, he always made a big point of
14 telling us that December 26th did not belong to Dr. Stroub,
15 but instead belonged to the State of California.

16 And I just, you know, question about the ability
17 to sell dates, and whether that's a good idea or not.
18 Because maybe I got snookered here and should have sold
19 the --

20 COMMISSION CHAIRPERSON SHAPIRO: And we always
21 thought you were so smart.

22 MR. LIEBAU: I know it. I thought, you know, I
23 new what I was doing, but I mean, I didn't even think of
24 trying to sell Bay Meadows' dates, or selling Hollywood
25 Park's dates.

1 COMMISSION CHAIRPERSON SHAPIRO: Oh, come on, it
2 crossed your mind.

3 (Laughter.)

4 MR. LIEBAU: But that's exactly what's happening.
5 I mean, these dates belong to the State of California.

6 COMMISSION VICE CHAIRPERSON HARRIS: Well, but I
7 thought -- I well recall Ken talking about that. But I'm
8 not clear if the fairs are kind of a different animal, that
9 they have limited dates they can -- you can't just give one
10 fair 60 days, or something.

11 MR. LIEBAU: Well, the law, as far as the
12 consolidation of fair dates, is about two or three years
13 old, as I recall. It did not date back to Ken's time.

14 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, okay.

15 COMMISSION CHAIRPERSON SHAPIRO: Yes, Commissioner
16 Choper's --

17 COMMISSIONER CHOPER: I want to say, let me say
18 this, I've listened to it all. There certainly is
19 sentiment. And I've gone to a Vallejo Fair -- not to the
20 fair, but to the track, for the last 37 years, all right.

21 Maybe not so much these past couple, with
22 intertrack wagering.

23 But it seems to me you have good relations with
24 Drew; right? I'd like to see -- I'd like to be able to vote
25 to have the Solano County Fair have it's 60th anniversary.

1 And there, maybe Jack can come as usher.

2 (Laughter.)

3 COMMISSIONER CHOPER: For old times.

4 COMMISSION VICE CHAIRPERSON HARRIS: It will be
5 real crowded.

6 COMMISSIONER CHOPER: And I guess what I would
7 like to say, you know, Drew has already -- he's indicated
8 that if he can recover all of the legitimately determined
9 costs, after the fact, that would be okay with him.

10 Maybe the two of you can strike some deal. Maybe
11 he's willing to settle for a little less than a hundred
12 percent of the difference.

13 COMMISSION CHAIRPERSON SHAPIRO: You are an
14 arbitrator, aren't you, a medicator?

15 COMMISSIONER CHOPER: Because he likes you a lot.

16 MR. BARKETT: He doesn't like me that much.

17 (Laughter.)

18 COMMISSIONER CHOPER: Well, I want to tell you, he
19 was just nodding his head -- he was just nodding his head
20 yes.

21 COMMISSION CHAIRPERSON SHAPIRO: He doesn't like
22 anybody.

23 COMMISSIONER CHOPER: We're not talking about that
24 much money.

25 MR. BARKETT: We will go back with the fairs and

1 talk collectively. There may be some things we can do.

2 COMMISSIONER CHOPER: I'm sure you can settle it
3 out.

4 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you,
5 Joe.

6 I've got a couple more cards, still. Norb
7 Bartosik.

8 Bill, are you going to want to speak to this?

9 MR. ANTON: I've got a card in there.

10 COMMISSION CHAIRPERSON SHAPIRO: That's why I'm
11 asking you.

12 MR. ANTON: Yeah. I didn't sit here all day not
13 to.

14 COMMISSION CHAIRPERSON SHAPIRO: Okay.

15 COMMISSION VICE CHAIRPERSON HARRIS: I think maybe
16 there might be some way to put some money into that Stabling
17 and Vanning Fund from Vallejo, to take care of that part.

18 COMMISSION CHAIRPERSON SHAPIRO: Mr. Bartosik?

19 MR. BARTOSIK: Thank you. And I can do it from up
20 here, and I'll be brief.

21 The Cal-Expo is a team player with all this, and
22 while we are very well concerned about being put in a
23 position, and appreciate the fact having our dates be at the
24 same time as the State Fair dates, a lot of the turmoil
25 started with carnivals changing dates, and e-mails

1 exchanging over all that. And we think we've worked through
2 a lot of that.

3 But the reality of it is that we also expressed
4 concern about being pushed in between the route of, you
5 know, Golden Gate before us and Golden Gate after us.

6 And would certainly just want to be on record as
7 saying that Cal-Expo would like to have more dates. We know
8 what we need to do in terms of making things work for this
9 year, but would hope we could be back here next year,
10 talking about the future and where Cal-Expo falls into that
11 category.

12 COMMISSIONER CHOPER: Absolutely.

13 COMMISSION CHAIRPERSON SHAPIRO: Thank you, and I
14 just wanted to offer, I agree with -- I hope that you are
15 back here and I hope that you guys can put a more
16 significant and better calendar together, that will allow
17 you to become a larger player in thoroughbred racing. I
18 highly support that. And I think you have a very good
19 director there, who's got some good ideas.

20 MR. BARTOSIK: Thank you.

21 COMMISSION CHAIRPERSON SHAPIRO: Okay. Mr. Anton,
22 you're going to close out the public discussion on this
23 item. And if you're not quick, we have -- Mr. Broad is on
24 his way.

25 MR. ANTON: Listen, I've already warned the CHRB

1 investigators, they've got a rope on me, okay.

2 COMMISSION CHAIRPERSON SHAPIRO: Okay.

3 MR. ANTON: Bill Anton, CTT. As far as the
4 Vallejo issue, I'm going to leave that alone, okay. I ship
5 there and I ship back. It's only 15 miles up the road, so
6 I'm not too concerned about that.

7 I wish you all the luck in the world to accomplish
8 what you want to do and we'll just have to deal with Drew on
9 this issue.

10 All I'm here for and the reason I came, I thought
11 we were going to have a bigger hassle. I'm glad that we
12 don't.

13 I'd just ask the Board that this is the first time
14 that TOC, CTT, Carf, eight or nine people, and Golden Gate
15 Fields sat down together, no fighting, no arguing, just a
16 good, strong discussion. We worked a lot of hours on this,
17 all of this.

18 With the exception of the one week with Vallejo
19 which, you know, please, pass this.

20 COMMISSION VICE CHAIRPERSON HARRIS: Good
21 comments.

22 COMMISSION CHAIRPERSON SHAPIRO: Thank you. Thank
23 you, Bill.

24 Okay, Mr. Pickering. You wrote a card that said,
25 "if needed."

1 MR. PICKERING: If needed.

2 COMMISSION CHAIRPERSON SHAPIRO: Okay, I didn't
3 think you were, but you do. So go ahead.

4 MR. PICKERING: Ah, it's nice not to be needed.

5 Honorable Chairman, distinguished Members of the
6 Commission, Rick Pickering, Alameda County Fairgrounds.

7 We certainly support this plan. If you'll recall,
8 over the last two years the Horse Racing Board and the
9 industry has talked about awarding additional weeks of
10 racing to Pleasanton, something in the neighborhood of four
11 weeks in the spring, four weeks in the fall, so that those
12 funds could be used to do improvements both in the barn
13 area, as well as a synthetic surface and a turf track.

14 That was in this calendar up until about the
15 summertime, when it came out of this calendar.

16 What we were told at that point in time is we
17 would help the industry out, there's still an opportunity
18 for Alameda County Fairgrounds to pick up four weeks of
19 racing in the spring and the fall in the year 2010.

20 So we believed we had that commitment from the
21 industry, and we've had conversations with Members of this
22 Board.

23 We'd still like to see that happen in the future.
24 In other words, we have to generate revenue to do the
25 improvements that the industry's asking to have take place.

1 So we appreciate your support into the future, and
2 we'll keep working with the industry as best we can.

3 COMMISSION CHAIRPERSON SHAPIRO: Thank you, Mr.
4 Pickering. And we appreciate it.

5 And, again, Mr. Barkett, I want to share that, in
6 the period that I've been on this Board, you've been a very
7 useful, helpful participant at all of our meetings and I've
8 always appreciated it.

9 And so I do appreciate the spirit that you bring
10 to this.

11 (Applause.)

12 COMMISSION CHAIRPERSON SHAPIRO: Okay. In light
13 of that, what I would -- what I would proffer would be that
14 we approve the Northern California calendar, except for this
15 week, pending that we have -- we hear back -- you know,
16 we're talking about something in July, I know there's
17 planning, to see if we can't have further discussions
18 between CARF, the Alameda County Fair, and TOC, and the
19 others, to see what they can work out.

20 COMMISSIONER ISRAEL: Solano.

21 COMMISSION CHAIRPERSON SHAPIRO: Solano. I get,
22 between Sonoma and Solano, that's -- and I said Alameda,
23 didn't I. Sorry. I meant Vallejo, sorry.

24 Anyway, so I would recommend that we approve this
25 calendar, with that week simply being left to be further

1 decided, if that is agreeable to the parties, while you guys
2 can talk further and try to see what can be worked out
3 before there's a final disposition.

4 Would that be agreeable to you?

5 MR. BARKETT: As long as we can go forward, Mr.
6 Chairman, assuming that --

7 COMMISSION CHAIRPERSON SHAPIRO: Well, why don't
8 we plan to bring back that by a certain date it must be, the
9 Board must render a decision if you're unable to render an
10 agreement amongst yourselves, and we can make that January.
11 Because that gives you plenty of time.

12 At the January meeting, we'll reschedule this, and
13 just for that one week determination, and the parties,
14 hopefully, will have met and see what creative solutions
15 they can come up with. That would be my recommendation.

16 And I would then move to approve this calendar
17 with that incorporated into it.

18 COMMISSION VICE CHAIRPERSON HARRIS: I'll second.
19 And I would like to say, this is a major breakthrough for
20 Fresno. And I predict that Fresno will have the biggest on-
21 track attendance of any Northern California track in '09.

22 COMMISSION CHAIRPERSON SHAPIRO: What a shock, you
23 thought of Fresno.

24 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, this is
25 the first time we've not been overlapped, and so it's free

1 shish kabob sandwiches for everyone.

2 COMMISSION CHAIRPERSON SHAPIRO: Free what?

3 COMMISSION VICE CHAIRPERSON HARRIS: Free shish
4 kabob sandwiches.

5 COMMISSION CHAIRPERSON SHAPIRO: Free shish kabob.

6 COMMISSION VICE CHAIRPERSON HARRIS: Yeah.

7 COMMISSION CHAIRPERSON SHAPIRO: Okay. There's a
8 motion and a second.

9 All in favor?

10 (Ayes.)

11 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

12 Okay, where did my agenda go? I do this always.

13 Okay, Item Number 11 is a report by the Advanced
14 Deposit Wagering Ad-Hoc Committee.

15 Commissioner Israel?

16 COMMISSIONER ISRAEL: We met. I listened. Kirk
17 listened.

18 COMMISSION CHAIRPERSON SHAPIRO: Can we have it
19 quiet, please.

20 COMMISSIONER ISRAEL: Jackie listened. Mike
21 Marten listened.

22 We had representatives from virtually every player
23 in the deal, and it was interesting, and we accomplished
24 nothing.

25 But the one thing that I did take away is that

1 every party involved in the deal, the advance deposit
2 wagering companies, the race associations, the trainers, the
3 owners, the Jockeys' Guild, the unions, they all would
4 prefer it if there were no action by the Board requiring
5 non-exclusivity.

6 And we were to meet again, yesterday, but given
7 the unresolved issues involving out-of-state wagering
8 between TOC, and Hollywood Park, and the ADW companies, we
9 decided it was better to put off that second meeting, we
10 would conduct it -- it's a smaller working group, and we'll
11 conduct that meeting, hopefully, before our December Board
12 meeting. So there will be a more detailed report at such
13 time.

14 It was clear to me, though, that if we do desire,
15 as a Board, to assert that non-exclusivity be part of any
16 one of these deals, both the racing associations and the ADW
17 providers have to be subjected to that demand. It can't be
18 one-sided, because there's too many work-arounds if it's
19 not, if both parties aren't required to have a non-exclusive
20 agreement.

21 COMMISSION CHAIRPERSON SHAPIRO: Great, thank you.
22 I agree.

23 And that, actually, is a great prelude into Items
24 12, 13, 14, and 15.

25 And while I know there are a lot of people here,

1 today, from each of the ADW companies, you know, we heard it
2 earlier in the meeting, when we were listening to licensed
3 applications, that we didn't know who the ADW providers
4 would be.

5 And it's certainly no secret that right now we are
6 embroiled in an impasse that is causing a lot of harm to our
7 fans, our customers, our racetracks, our horsemen, and our
8 ADW companies.

9 And, to me, over the lunch break, I was very
10 troubled with this idea that we're going to come in here and
11 we're going to consider licensing these ADW companies.

12 Now, I'm not pointing the fingers at any ADW
13 company. And, frankly, the impasse that we're embroiled in
14 right now, I'm not pointing the finger at an ADW company,
15 I'm not pointing it at the horsemen, I'm not pointing it at
16 the tracks.

17 But what I am doing is saying that I'm mad at
18 everybody. And, frankly, the fans are mad at us, our
19 industry is going through turmoil. The economy is, you
20 know, in the trash can, and we're depriving the public if
21 they, at this time, wish to wager on our product, they
22 can't. And, to me, that's a crime, and that's criminal.

23 And, therefore, frankly, I don't really want to
24 even deal with wagering -- with any licensing of ADW
25 companies right now. I don't understand what we would be

1 doing by trying to hear licenses.

2 Until ADW can straighten up its own house, I don't
3 know what we're going to do. Because, right now, we don't
4 even know how to use it. And the way we are using it is
5 clearly wrong, because we keep having these issues.

6 And so, it would be my recommendation that we hold
7 off from licensing any ADW until we get some clarity of what
8 the industry is going to do with ADW, and how all of the
9 stakeholders and, again, one of the stakeholders are the
10 customers, the fans are going to benefit from the use of
11 ADW.

12 Our tracks are hurting, our horsemen are hurting.
13 This doesn't work this way.

14 And so, personally, what I would suggest to the
15 rest of the Board is that we come back at a time when the
16 stakeholders have figured out what it is they want us to
17 license, and how we're going to operate, and how it's going
18 to benefit our fans, and all the stakeholders, and the
19 State.

20 And so my recommendation is, I sure hope something
21 comes out of these meetings that are scheduled beginning
22 tomorrow, because it's high time.

23 And if that's a wagging finger at somebody, I
24 don't know who it is, but that's a wagging finger to get the
25 damn thing done.

1 And so it would be my recommendation, with the
2 Board's approval and, of course, everybody can chip in, that
3 we hold off on doing this until our next scheduled meeting.

4 COMMISSIONER MOSS: Just one question. If they
5 resolve this tomorrow, somehow, can they immediately put
6 this to practice or do they have to wait for our approval.

7 COMMISSION CHAIRPERSON SHAPIRO: No, their
8 licenses are valid right now until the end of the year.

9 COMMISSIONER MOSS: Oh.

10 COMMISSION CHAIRPERSON SHAPIRO: They're not hurt.

11 COMMISSIONER MOSS: Okay.

12 COMMISSION CHAIRPERSON SHAPIRO: Okay, now, I have
13 to give one additional caveat to that issue, which is one of
14 the things I would like to see in interim is the
15 relationship between the ADW companies and any other
16 stakeholder.

17 It would appear that -- it is confusing to the
18 Board, sometimes, to know, well, which track is associated,
19 which one is partners with this ADW company, or that ADW
20 company, or where all these relationships are intertwined.
21 Because it doesn't appear in some cases, or any cases,
22 maybe, that there are independent parties.

23 And that seems to be one of the problems that may
24 be inhibiting negotiations or free expression or
25 negotiation.

1 So I'd like to get the feeling if the other Board
2 members are willing to go along with this, because this is
3 just an intolerable situation at this point.

4 COMMISSIONER MOSS: You have my vote.

5 COMMISSIONER ISRAEL: We don't have enough
6 information to make a decision going forward for a year.

7 COMMISSION VICE CHAIRPERSON HARRIS: Well, I mean,
8 I'm fine with waiting. I don't know if these applications
9 are really the problem. I mean, we can license these folks,
10 obviously, I mean, in a short period of time, and they're
11 not really going to be damaged if we wait. Unless there's
12 some reason they can show they're being damaged by waiting.

13 But the real problem is the negotiations are going
14 on with the ADW companies, and TOC, on the transmission of
15 the out-of-state signal, and that's -- you know, they keep
16 talking, maybe they're going to have a meeting tomorrow, and
17 there's going to be nirvana, and everything's great.

18 But we need to get this going. I mean, and it
19 seems like I don't know if both sides don't want to go
20 to -- it seems like this is the classic case that calls out
21 for some version of arbitration, or mediation, or something.

22 COMMISSION CHAIRPERSON SHAPIRO: But we're being
23 told, first of all -- look, look, I hate being in this
24 powerless position, like everybody here. We're sitting
25 here, we can't do a damn thing, and yet we're going to just

1 relicense it so we're back here again?

2 COMMISSIONER ISRAEL: Well, we can do a damn
3 thing. We're not powerless, because the power comes from
4 the right to license.

5 COMMISSION CHAIRPERSON SHAPIRO: That's my point,
6 and so let's not license.

7 COMMISSIONER ISRAEL: And so if we don't license
8 until we have more information, and certain issues are
9 resolved, and we know what the relationship between the
10 associations, the ADW companies and the horsemen going
11 forward is going to be, then we don't have to license.

12 Moreover, I mean, as far as we know, the largest
13 of the ADW companies is currently for sale. And so we're
14 not sure, if we license them for 2009, exactly who we're
15 even licensing.

16 COMMISSION CHAIRPERSON SHAPIRO: You make a very
17 good point. And, again --

18 COMMISSION VICE CHAIRPERSON HARRIS: But somehow,
19 though, we need a substantial -- not a substantial, but
20 probably 15 to 20 percent of the revenue is ADW revenue, and
21 we don't want to enter into a suicide pact, where we just
22 cut that off.

23 I mean, obviously, we want to get the best deal we
24 can for all the parties.

25 COMMISSION CHAIRPERSON SHAPIRO: I think that we

1 are all saying we recognize, we want ADW, we want to have a
2 deal, we don't want to have these constant fights throughout
3 the year.

4 So come back to us, explain it to us.

5 COMMISSION VICE CHAIRPERSON HARRIS: But we're
6 going to have these constant fights, this is not going to
7 stop.

8 COMMISSION CHAIRPERSON SHAPIRO: No, we don't need
9 to.

10 COMMISSION VICE CHAIRPERSON HARRIS: No, this
11 could be -- I mean, every time that there is an agreement,
12 it could well be a fight, unless they have a multi-year
13 agreement.

14 COMMISSIONER ISRAEL: Well, there's no reason not
15 to have a multi-year agreement, John.

16 COMMISSION VICE CHAIRPERSON HARRIS: Well, ADW
17 licensing might be or may not be multi-year. But the big
18 problem is it really is on a meet-by-meet basis and the
19 horsemen's consent, which it probably should be, but that's
20 the problem.

21 COMMISSIONER ISRAEL: But if we request it, or
22 demand it, whatever the law allows, and I'll defer to our
23 legal counsel for that, that they reach some sort of long-
24 term accord or we're not going to license them for any
25 longer period than they have an accord, it becomes very

1 difficult for them to do business on a continuing basis.

2 So we do have some ability to determine our fate
3 and, therefore, their fate.

4 We're not required to license them for ten years.
5 We can license them for 30 days at a time, or 90 days at a
6 time, or not at all. Or we can license them for ten years.

7 I mean, so we can use our best judgment --

8 COMMISSION VICE CHAIRPERSON HARRIS: But the
9 licensing is not the problem.

10 COMMISSIONER ISRAEL: -- to determine what's going
11 to be the most effective way to go forward. I mean,
12 clearly, it's the growth part of the business.

13 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, I
14 agree. But, I mean, the licensing is not really the issue.
15 The issue is getting some resolution of this negotiation.

16 COMMISSION CHAIRPERSON SHAPIRO: And, John,
17 look --

18 COMMISSION VICE CHAIRPERSON HARRIS: And then I
19 guess we'd say, look, we won't license -- maybe we will not
20 license the horsemen, either. We'll just not license
21 anybody, stop racing in California until we get it done or
22 something.

23 COMMISSION CHAIRPERSON SHAPIRO: You know what,
24 Commissioner Choper, you've been trying to say something,
25 please?

1 COMMISSIONER CHOPER: Well, go ahead, if you want
2 to respond to that.

3 COMMISSION CHAIRPERSON SHAPIRO: My response is, I
4 don't think we don't want to license them, we clearly want
5 to.

6 But we certainly want to know that there are deals
7 in the drawer and we're not going to have all these
8 continual problems and issues. Come back to us with a plan,
9 that's our goal.

10 But the truth is, our only leverage is to not
11 license them. And at this point, it's not doing us any good
12 right now, it needs to change.

13 Commissioner Choper?

14 COMMISSIONER CHOPER: I agree to put it over, with
15 a great emphasis on the fact that we've heard from several
16 people that a meeting is to be held tomorrow, or to be
17 continued tomorrow, and that there's some well-founded
18 optimism that this will settle the matter.

19 That, obviously, means a great deal from
20 everybody's stand point.

21 I think it stinks that the greatest, obvious point
22 in the world, but for some reason I have the sense that it
23 hasn't sunk in, because no one is benefitting by this delay.
24 The fans aren't benefitting, the horsemen aren't
25 benefitting, the ADW companies aren't benefitting, and the

1 racetracks aren't benefitting.

2 COMMISSION CHAIRPERSON SHAPIRO: We're all losing,
3 everyone's losing.

4 COMMISSIONER CHOPER: We're all losing, that's
5 exactly right.

6 If you folks come to your senses -- forgive me for
7 putting it that way, but it comes close. Collective senses,
8 okay. And fix this up tomorrow, or the next day, or
9 whatever it is, then you'll have no difficulty getting
10 licenses issued the next time around.

11 What troubles me is what if you don't? And my
12 hesitation in putting it over is to say that it's going to
13 be another month and we're going to be back at square one.

14 And so what I would do is just -- I agree, I guess
15 it's the only level that we have. It's sort of a suicide
16 pact that we have, but maybe we're going to have to use it
17 in some way.

18 And, therefore, I urge you, if you can't reach it
19 this time on your own, you know, it's going to be December
20 in a month from now, if you can't reach it, then put
21 into -- put into play some process in which you select
22 someone -- unless you've got something better to solve it.
23 I don't have a monopoly on good ideas, and this may not be
24 the best idea at all.

25 But develop some process among yourselves to

1 resolve this, so that at the next meeting we either know
2 that you have resolved it already, substantively, or have a
3 process in place to get it done and get it done quickly, or
4 else we're all going to have the disadvantages that have
5 been associated with this longer and longer.

6 I just think everyone's -- everyone's interest is
7 enough to -- you know, enough to play chicken in this game,
8 and see who gives first in some way or another, or else it's
9 just going to happen -- we're going to have it year after
10 year like that.

11 Well, you know, they said that Henry Paulsen got
12 down on one knee, in talking with Nancy Pelosi. If that
13 would do any good, I'm sure I could get at least a majority
14 of my colleagues to do that, too.

15 COMMISSION CHAIRPERSON SHAPIRO: All right, thank
16 you. Thank you.

17 And with that, and the Board's agreement, we are
18 going to defer these items and not hear them. Thank you.

19 All right.

20 COMMISSIONER ISRAEL: I think, John, did you want
21 to speak?

22 MR. HINDMAN: Yes, a couple -- a couple of points.
23 Just one point of information.

24 COMMISSION CHAIRPERSON SHAPIRO: Yes.

25 MR. HINDMAN: When I looked at the schedule

1 earlier this year, this was the last regularly scheduled
2 Board meeting?

3 COMMISSION CHAIRPERSON SHAPIRO: No, we are going
4 to be having a meeting on December 15th.

5 MR. HINDMAN: Okay, okay, I appreciate that.

6 And the other thing I would just mention, and this
7 is just not to -- for clarity on TVG's sake, I'd like to
8 mention a few other things.

9 First is that we weren't aware of any -- we
10 haven't been invited to any meeting, we weren't aware that
11 any meeting was going to take place until we walked into
12 this room this morning. And I don't believe we've still
13 been invited to any meeting. So I don't believe
14 you've --

15 COMMISSION CHAIRPERSON SHAPIRO: Well, I invite
16 you. Okay, I invite you. The only problem is I
17 know -- John, we don't how to get everybody to talk.

18 I mean, it's so God -- it's so frustrating.
19 I mean, look, I corresponded with you. I mean, everybody in
20 this thing I have been talking to, e-mailing with, and
21 everything, and can't get everybody to do it. I don't know
22 what to do.

23 We're throwing up our hands out of frustration
24 here. And our fans are the ones that are losing.

25 Why these people are going to stick around, I

1 don't get it.

2 MR. HINDMAN: I understand.

3 COMMISSION VICE CHAIRPERSON HARRIS: It was
4 incredible that we were told that it's going to be,
5 hopefully, resolved in a meeting tomorrow and you don't know
6 about the meeting.

7 MR. HINDMAN: I don't.

8 COMMISSION VICE CHAIRPERSON HARRIS: Well, what's
9 going on?

10 COMMISSIONER ISRAEL: Wait, wait, who told us
11 there was a meeting?

12 COMMISSION CHAIRPERSON SHAPIRO: No, no, okay,
13 let's be clear here. There is a meeting tomorrow, which
14 includes TOC, TrackNet, which includes Magna, and
15 Twinpires, and Churchill.

16 Scott, help me out here.

17 MR. DARUTY: Scott Daruty, with TrackNet Media,
18 which is a joint venture between Magna and Churchill Downs.

19 The issue, in any three-party agreement, and
20 that's what we're talking about here, we're talking about
21 horsemen, racetracks, and ADWs, there's three parties at the
22 table.

23 COMMISSIONER CHOPER: All ADWs, right?

24 MR. DARUTY: Yes, all ADWs. The issue is how do
25 you get all three parties on the same page, at the same

1 time.

2 When we, as racetracks, and I'm talking as a
3 racetrack representative here, when we, as racetracks, go
4 and cut a deal with the ADW companies, and then go back to
5 the horsemen and ask for consent, they get upset that we cut
6 that deal first, and came to them second.

7 The meeting that's taking place tomorrow was a
8 meeting, essentially, between racetracks and horsemen, to
9 see if we can get the racetracks and horsemen on the same
10 page.

11 COMMISSIONER CHOPER: Yeah, but there are some
12 ADWs there. I just don't think you can ignore them.

13 MR. DARUTY: Yeah, but you can't -- we've been
14 trying for months and months, and to get everybody at a
15 three-party table at the same time, and try to get everybody
16 to agree is not going to happen.

17 What we're hopeful is that tomorrow's meeting
18 we'll reach an agreement between the racetracks and the
19 horsemen. We've got two of the four ADW companies there,
20 because Magna owns one and Churchill owns one.

21 And what we've seen from other experience across
22 the country, there's a good likelihood that a third ADW
23 would also come along and, hopefully, a fourth.

24 But to get all these parties together you've got
25 to start somewhere, build a critical mass, and then add

1 parties from there. So that's the meeting that's taking
2 place tomorrow.

3 COMMISSION CHAIRPERSON SHAPIRO: Okay, Scott, just
4 so you know, from our perspective, we want -- we're hoping
5 that TVG, and Youbet, and all four get involved, so that we
6 can make sure that all four are going to be given fair,
7 equal opportunity to participate in the transmission of our
8 product. Okay.

9 COMMISSIONER MOSS: But we'll also accept if two
10 of them make a deal.

11 COMMISSION CHAIRPERSON SHAPIRO: Look, we can't
12 tell who to make a deal.

13 COMMISSIONER MOSS: I know that. I mean --

14 COMMISSION CHAIRPERSON SHAPIRO: But it will be
15 offered to everybody.

16 COMMISSIONER MOSS: I know that.

17 COMMISSION CHAIRPERSON SHAPIRO: Some may say no.

18 COMMISSIONER MOSS: I know that, but we'll accept
19 a breakthrough.

20 COMMISSION VICE CHAIRPERSON HARRIS: Yeah. Well,
21 there needs to be competition. I mean, the competition is
22 the heart of business. And it seems like you need to make a
23 deal with somebody and make the best deal you can, and you
24 don't really care what the other --

25 COMMISSIONER MOSS: Exactly.

1 COMMISSION VICE CHAIRPERSON HARRIS: I mean, it's
2 really -- you can't allow collusion going on here.

3 COMMISSION CHAIRPERSON SHAPIRO: Right, okay. Is
4 there anybody else that needs to say anything?

5 Jack, you're pointing over there. John? I'm
6 trying to be fair but --

7 MR. HINDMAN: The only thing I would add is, is
8 that if the --

9 COMMISSION CHAIRPERSON SHAPIRO: Sorry, I didn't
10 hear you?

11 MR. HINDMAN: Oh, the thing that is concerting and
12 I would add is the tenor of this meeting is that there's
13 going to be some meeting that all of this is going to get
14 resolved, and then you're going to get licensed, but there
15 may not be deals with everybody, but a deal is contingent on
16 getting -- a license is contingent on having a deal.

17 So I guess I would go back to the start of this
18 conversation and say, I think if you look at the law, being
19 licensed and having deals, and it's true, not everybody's
20 going to have deals with everybody, and I accept that, are
21 two different matters, entirely, and they're handled
22 differently under the law.

23 There are certain conditions to getting a license,
24 there are certain conditions to having agreements in place
25 to take wagers.

1 COMMISSION CHAIRPERSON SHAPIRO: Well, we --

2 MR. HINDMAN: And so, you know, I think that in
3 all fairness, you know, if an ADW provider meets the
4 licensing criteria and has shown that they are capable of
5 operating advance deposit wagering in the State, you know,
6 that there should be consideration of that irregardless of
7 anything else, and I would hope that the Board would view it
8 that way.

9 COMMISSION CHAIRPERSON SHAPIRO: John, we have a
10 meeting in December, okay. We are trying to convey our
11 upset and disappointment with the state of ADW today. And,
12 therefore, we simply are deferring licensing until our next
13 meeting, which will be December 15th.

14 Now, with respect to TVG and just please
15 understand, we are aware that the company is for sale.

16 We will require that -- we need to know
17 who -- when that decision is made, it is likely that we're
18 going to require that the company be re-evaluated, its
19 license, needing to know who the owners are. Not asking to
20 get any information from you today.

21 MR. HARTMAN: And just to Commissioner Israel's
22 point, the rules already require that if anything about your
23 application changes, or your operating plan changes during
24 your license term, we have to come back to you, anyway.

25 COMMISSION CHAIRPERSON SHAPIRO: Fine.

1 MR. HARTMAN: So that's going to happen no matter
2 what.

3 COMMISSION CHAIRPERSON SHAPIRO: Right.

4 COMMISSION VICE CHAIRPERSON HARRIS: I think the
5 other thing is, I'd like to get this resolved as much as
6 anyone, as far as a deal made between the horsemen and the
7 groups.

8 But I'm a little bothered, as a State agency, that
9 we shouldn't really -- on the license, which I think we can
10 defer, and I'd be for deferring it, but it would be like the
11 Department of Motor Vehicles saying we aren't going to
12 license truck drivers if they don't sign this contract.

13 COMMISSION CHAIRPERSON SHAPIRO: Well, it has
14 nothing to do with the contract, it has nothing to do with
15 it.

16 But right now we don't know -- Commissioner Israel
17 had a meeting where nothing got accomplished, and we don't
18 know whether we want to put in exclusive agreement language
19 or not, and then going through that process. We don't know
20 what the playing field here is.

21 The parties, they need to work together and figure
22 out how they're going to use this.

23 I have concerns for all of these ADW companies,
24 for TVG, for Youbet. I don't want to see anybody left in
25 the cold. But we don't know what we're doing.

1 COMMISSIONER ISRAEL: Well, we have a right to
2 protect, I think an obligation to protect the customer and,
3 therefore, protect the industry.

4 So the question is what's in the best interest of
5 the customer, you know, and the residents of the State of
6 California. That's our only obligation, I think.

7 COMMISSION VICE CHAIRPERSON HARRIS: Well, that's
8 true. It's just the licensing role, I think, needs to be
9 separated from the resolution of dispute role.

10 I mean, I just don't think a State agency should
11 use licensing as a tool to force parties to cut a deal on
12 something.

13 COMMISSION CHAIRPERSON SHAPIRO: I don't think
14 that's our intent.

15 COMMISSIONER MOSS: No, but we could suggest ways,
16 you know.

17 COMMISSION CHAIRPERSON SHAPIRO: Okay. Yes?

18 MR. LIEBAU: Just so there's no confusion --

19 COMMISSION CHAIRPERSON SHAPIRO: Jack Liebau.

20 MR. LIEBAU: -- we're banking a lot on this
21 meeting tomorrow.

22 COMMISSIONER ISRAEL: Do you know about it?

23 MR. LIEBAU: Through scuttlebutt, yes.

24 COMMISSIONER ISRAEL: Okay.

25 MR. LIEBAU: I, as President of Hollywood Park,

1 probably have the biggest interest in that meeting coming
2 to a successful conclusion.

3 When we talk about tracks being at this meeting,
4 it is not Hollywood Park that's at that meeting.

5 I hope that these other tracks, which are the
6 TrackNet tracks, which include those owned by Magna and
7 those owned by Churchill Downs, that are not in California,
8 that they are able to come to some solution which will
9 favorably impact the Hollywood Park meet.

10 Because it is the Hollywood Park meet that is
11 bleeding at the moment. And it's the Hollywood Park meet
12 that's going to have to be cutting purses, probably no
13 matter what. The purse cut certainly will be less.

14 If there's something that comes out of this
15 meeting tomorrow, that allows us to have ADW wagering
16 outside of California starting this weekend, it's imperative
17 that we do.

18 And I just want to make it clear so that, you
19 know, my hope and prayers go with the people at that
20 meeting, but we're not there. And neither are two other ADW
21 providers.

22 COMMISSIONER ISRAEL: Well, I mean, this whole
23 thing is particularly vexing, in all likelihood, because
24 it's an instance of a management strike against management,
25 as opposed to a labor strike against management.

1 MR. LIEBAU: Well, I'm not sure that this is
2 really a situation between the ADW providers and the
3 horsemen. The ADW providers are willing to pay X. That is,
4 as far as now, is unacceptable to the horsemen, which they
5 have that right under the Interstate Horse Racing Act.

6 COMMISSIONER ISRAEL: I understand.

7 MR. LIEBAU: The tracks are just, I don't think
8 innocent bystanders, but we're getting hurt along with the
9 other segments of the industry.

10 COMMISSION CHAIRPERSON SHAPIRO: And, Mr. Liebau,
11 I believe that our Board's action today is in recognition
12 that Hollywood Park and Golden Gate are both being hurt, and
13 the horsemen are being hurt, and it's our frustration with
14 that hurt that is causing us to say, you know what, we're
15 not in the mood to license today.

16 COMMISSIONER MOSS: And it's also a question of
17 the horsemen operating in the best interest of California
18 horsemen, you know, because we seem to be involved in some
19 national picture here.

20 And the question is, is this going to be resolve
21 don the basis of what's good for California, and I hope it
22 is.

23 MR. LIEBAU: I think, as far as I'm concerned, and
24 I'm concerned about Hollywood Park and California, okay, and
25 I appreciate that you're sending a strong message. I hope

1 everybody gets it at the meeting.

2 And I hope that out of that meeting comes a
3 solution that's going to allow us to have our signal up this
4 weekend.

5 COMMISSION CHAIRPERSON SHAPIRO: Well, I see our
6 good friend, Jack Shinar, is sitting there, and I hope that
7 he will write something that will send a very strong message
8 to the parties that we would like to see this resolved
9 immediately, because we're frustrated.

10 Sorry, Jack.

11 Okay, we're going to move on, now, to Item
12 Number -- no -- do you see that the good Doctor is sitting
13 here, right in front of me.

14 COMMISSIONER ISRAEL: Report of the Medication
15 Committee.

16 COMMISSION CHAIRPERSON SHAPIRO: The
17 Medication -- the report of the Medication Committee, Dr.
18 Rick Arthur.

19 EQUINE MEDICAL DIRECTOR ARTHUR: Dr. Rick Arthur,
20 Equine Medical Director.

21 You want the short version or the long version?

22 COMMISSION CHAIRPERSON SHAPIRO: The short one.

23 EQUINE MEDICAL DIRECTOR ARTHUR: I thought so.

24 If there's any good news, ADW may be in a mess,
25 but the drug testing program is working very effectively.

1 Quite seriously, we had a very good discussion,
2 yesterday, at the Medication Committee meeting.

3 We went over preliminary reports, necropsy
4 reports. Dr. Sue Stover gave a review of her research.

5 And I discussed the equine injury database, the
6 national database that California's going to be using, and
7 every track should be participating in.

8 We have been collecting this data in hard copy, a
9 non-circulable form for years, and we're going to be able to
10 go forward with that quite effectively.

11 I discussed, gave a demonstration of the pre-race
12 examination module on Encompass, which I think is very
13 promising, is going to allow us to interchange medical
14 records of our regulatory veterinarians' examinations
15 between tracks.

16 And also, of the vet's list that is being
17 maintained on Encompass, and how more effective or efficient
18 it is to search that particular vet's list.

19 And we also talked about methods in going forward,
20 that we're going to need to do to better analyze fatalities
21 in California and, hopefully, develop strategies to reduce
22 injuries and, particularly, fatal injuries.

23 Probably, the most time we spent was on the TCO2
24 program, and I'd like to make clear that California has one
25 of the tightest regulations in the U.S., and certainly the

1 most extensive.

2 We've had two violations out of the last 50,000
3 examples that have been obtained.

4 And it's time, I think, to modify this program and
5 we have talked about two different ways to make the program
6 more efficient -- make the program more efficient. And Dr.
7 Stanley and I will be presenting the details of those going
8 forward.

9 We may be able to implement some of this as early
10 as January 1st. But there's essentially two ways, rather
11 than test every horse, in every race, take random samples.
12 We think two or three horses in every race.

13 We think we can do this with the pre-TCO2 staffing
14 ability.

15 And the other alternative is actually do pre-race
16 testing and pre-race analysis, which would involve
17 scratching horses before the race.

18 And we'll be having a proposal and try to look at
19 that particular methodology to do that.

20 And there will be some other details on that
21 later, but those are the key issues.

22 We also talked about an amendment that would allow
23 California to race horses without Lasix, in specific races,
24 with Board approval. But that is just really a discussion
25 item.

1 And that's essentially it.

2 COMMISSION CHAIRPERSON SHAPIRO: Thank you, Dr.

3 Arthur.

4 Okay, the day is late and the meeting is long.

5 COMMISSIONER MOSS: As an option? You mean, as an
6 option, without Lasix as an option?

7 COMMISSION CHAIRPERSON SHAPIRO: What did you say?

8 EQUINE MEDICAL DIRECTOR ARTHUR: If, in the
9 future, for example, Breeders' Cup would run a no-Lasix
10 trace, or like talk about no-Lasix in a graded stakes, it's
11 probably never going anywhere, but we just wanted the option
12 there.

13 COMMISSION CHAIRPERSON SHAPIRO: Okay. All right,
14 so -- thank you, Dr. Arthur.

15 As you can tell, I'm trying to move for the close
16 here.

17 All right, we are now up to Item Number 18, Public
18 Comment.

19 I have one, two -- I have two cards. No, I think
20 I have more.

21 Susan Branch, I'll go with you, first.

22 MS. BRANCH: Hi, my name is Susan Branch, I'm a
23 horse owner. And I want to first commend you on changing
24 the rule with regard to shoes, that is the requirement that
25 thoroughbreds be shod.

1 But in trying to understand, I'm having difficulty
2 understanding the application of this rule at different
3 tracks, it doesn't make much sense to me, it doesn't seem
4 logical with the intent of the change, which is to benefit
5 the horse.

6 For example, at one meet I understand the rule is
7 you can run a horse in a race, on an artificial surface, if
8 they have no shoes, whatsoever.

9 But if they're running on a turf race, you must
10 have them shod.

11 You may not run a horse in a race if you want to
12 take the shoes off the front feet, and just have shoes on
13 the back, if there's a reason to do that for your horse.

14 And if you decide to run your horse unshod, you
15 must run them unshod for the entire meet.

16 To me, it doesn't make any sense. I understand
17 that different meets are interpreting the rule differently.
18 It would be helpful, to a horse owner, to really understand
19 what the rule is at all the meets, and have it be
20 consistent, and have there be some logic to the rule that is
21 consistent with the best interest of the horse.

22 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, I was
23 involved in that rule, originally. And I think clearly the
24 intent was that you could run a horse unshod on anything you
25 wanted to run it unshod, just as --

1 COMMISSIONER CHOPER: Whenever you wanted to.

2 COMMISSION VICE CHAIRPERSON HARRIS: And whenever
3 you wanted to, or it could be back feet, or front feet, or
4 whatever. It was just the only covenant was it had to be
5 announced.

6 And I don't know where you're getting -- which
7 track are you having problems with?

8 MS. BRANCH: I think it was at Oak Tree, but it is
9 at Santa Anita.

10 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, I'm not
11 sure when the rule sent into effect, but it's in effect,
12 now.

13 MS. BRANCH: It was in effect in September, I
14 believe.

15 EXECUTIVE DIRECTOR BREED: And we put a
16 clarification on the rule. And we've been a little bit
17 flexible on the rule in that at first it was that they -- at
18 first it was that you had to be unshod on all four feet. We
19 were flexible on that, in that you could be unshod in the
20 front or unshod in the back, either one.

21 But -- and then all we had -- the requirement was
22 that it be announced, what the shoeing -- or what the change
23 in shoeing was.

24 And we've tried to be very flexible in this, and
25 work with the Racing Secretary and the Stewards in terms of

1 trying to get this rule in effect where it works to
2 everybody's benefit, to the horsemen's benefit, and to the
3 benefit of the horse.

4 So there's really no -- we haven't been rigid in
5 anything that I know of, that I've been aware of. It's the
6 interpretation has been very liberal.

7 MS. BRANCH: Well, I appreciate whatever you could
8 do to clarify.

9 COMMISSION VICE CHAIRPERSON HARRIS: Well, did you
10 have a horse that was involved in this situation?

11 MS. BRANCH: I have a horse that we wanted to run
12 without shoes on the front, because she always gets bruised
13 from the shoes, and we've tried different kinds of shoes,
14 and we were told it's not permitted.

15 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, I think
16 you need to direct it to our Executive Director.

17 EXECUTIVE DIRECTOR BREED: I can make another run
18 at it, yeah.

19 COMMISSION VICE CHAIRPERSON HARRIS: He'll
20 straighten it out, he knows what it is.

21 COMMISSION CHAIRPERSON SHAPIRO: Okay. Is there a
22 Richard Hamilton and Lloyd McCabe?

23 MR. HAMILTON: I'll take care of it.

24 COMMISSION CHAIRPERSON SHAPIRO: Are you Richard
25 Hamilton?

1 MR. HAMILTON: I'm richard Hamilton.

2 COMMISSION CHAIRPERSON SHAPIRO: Hi, Richard.

3 MR. HAMILTON: Thank you. Thank you, Mr.

4 Chairman, Commissioners.

5 My name's Richard Hamilton, I'm representing the
6 Dixon May Fair. I'm a Fair Director. The Dixon May Fair is
7 located just west of Dixon.

8 We are in the process of pursuing a satellite
9 wagering facility. We have written approval from the
10 Department of Food and Ag, but in the process we need to
11 seek approval from you people.

12 A little historical. Dixon May Fair was the first
13 racing fair in the State of California. And those dates,
14 sadly, were transferred to Vallejo, and it seems today we're
15 seeing the end of it.

16 But we have a big, historical history with horse
17 racing. We have a tremendous amount of local support and
18 regional support.

19 And especially with our location on the I-80
20 corridor, it would be a very positive step for a fair, like
21 ours, to have satellite wagering.

22 So we're asking, today, to be put on your December
23 agenda to seek approval, under the California Horse Racing
24 Law, Article 9.2, Sections 19605 --

25 COMMISSION CHAIRPERSON SHAPIRO: Have you made

1 application and worked with our staff?

2 MR. HAMILTON: Yes, we've been -- we've had a
3 conversation with Kirk, and he's been giving us guidance on
4 what we need to do.

5 COMMISSION CHAIRPERSON SHAPIRO: Okay. Well, once
6 you have worked through staff --

7 MR. HAMILTON: Yes.

8 COMMISSION CHAIRPERSON SHAPIRO: -- I'm sure we
9 would have no problem, if it even requires Board approval.

10 MR. HAMILTON: Yes, it does.

11 COMMISSION CHAIRPERSON SHAPIRO: It does? We will
12 be more than happy to hear that.

13 COMMISSION VICE CHAIRPERSON HARRIS: I think it's
14 a great idea.

15 MR. HAMILTON: IN our approval from Department of
16 Food and Ag, they told us we had to seek your approval.

17 COMMISSION CHAIRPERSON SHAPIRO: Terrific, they're
18 good people over there. So we have no problem with it.
19 Let's just work with staff. Thank you

20 MR. HAMILTON: And we'll work with staff, okay.
21 Thank you.

22 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

23 Michael Power.

24 MR. POWER: Thank you, Mr. Chairman.

25 COMMISSION CHAIRPERSON SHAPIRO: Yes.

1 MR. POWER: Pardon me, I'm getting over a cold.

2 COMMISSION CHAIRPERSON SHAPIRO: No problem.

3 MR. POWER: I wanted to comment, briefly --

4 COMMISSION CHAIRPERSON SHAPIRO: Michael Power?

5 EXECUTIVE DIRECTOR BREED: Say your name.

6 MR. POWER: -- three minutes, regarding the state
7 of the California breeding industry, that you and I have
8 communicated about, and the issue of field size, which has
9 been discussed here, today.

10 Twenty years ago, the California foal crop was
11 over 5,000 foals. Next year it will be approximately 2,700
12 foals.

13 Based on the conversations that I have with other
14 breeders and stallion owners in California, the number of
15 mares to be bred in 2009 will be 2,000 or under.

16 Which will result, if that's true, in a foal crop
17 in the following year of about 1,700 foals.

18 Since 50 percent of all starters in California are
19 Cal bred, we can clearly see how this has come to happen.
20 The number of Cal bred foals has declined, has been in
21 decline for the last 20 years, for a number of reasons, one
22 of which are the market conditions which exist in
23 California, and how they compete in relative terms to other
24 states.

25 Another reason, in my opinion, is because our Cal

1 incentive system, our program here has not been re-evaluated
2 since it was last changed in the 1990s.

3 The California State law now requires only ten
4 percent of a race meet's races to be for Cal bred. In New
5 York, that percentage is 20 percent, which encourages more
6 breeding of better quality foals.

7 Now, in addition to the numbers of Cal bred foals
8 dropping in the last 20 years, it is my observation, perhaps
9 Mr. Harris would agree, that the general quality level of
10 the foals has dropped.

11 Our stallions today are older. We have more
12 unproven stallions. Our better mares are going to Kentucky
13 to be bred.

14 And so the quality and the quantity of the
15 California foal crops has dropped, dropped, dropped. And
16 since it continues to represent 50 percent of the fields,
17 which is the CHRB figure, I'm very concerned that the Board
18 has not, to this point, addressed the breeder problem in
19 California, as it is a major player in the global picture of
20 horse racing.

21 Breeders are dropping out right and left. I know
22 many breeders who aren't even going to be breeding their
23 horses next year because of market conditions. It is a dire
24 time for California breeders, as I think you well know.

25 I implore the CHRB to tackle this issue which,

1 believe me, I understand the gravity of all the issues
2 you're discussing and the frustration that you have in
3 dealing with them, but that segment of our industry needs to
4 be helped.

5 Now, on CTBA Board Watch, of which I'm a co-
6 founder, we proposed a program several weeks ago, I know you
7 have a copy, in which existing funds from the State, from
8 the Cal Incentive Fund, from the State Promotion Fund, and
9 from the breakage fees would be reallocated, not requiring
10 one more dime from Sacramento, which we would not get, we
11 all know, to help fund a sales marketing effort and a
12 breeding effort. With the goal of it being to increase the
13 production of the quantity and quality of foals.

14 Unfortunately, the two other organizations which
15 impact this field have been silent in the leadership for
16 years, the Barrett Sales Company and the CTBA. It should be
17 their job to make changes to these program by law. They
18 have shown no interest in years of doing it and, frankly,
19 they don't show any interest in it for the future.

20 Therefore, I'm asking the CHRB to place this issue
21 and any ancillary issues to it on an agenda item very soon.
22 I suggest before the first of the year because if this Board
23 could take action that would provide hope for the breeders
24 out there to continue investing in Cal breds, you might see
25 a better result in the following year in terms of foal crop.

1 COMMISSION CHAIRPERSON SHAPIRO: Okay.

2 MR. POWER: I know, on myself, I'm sending my
3 mares to Kentucky. I have ten mares, they're all going to
4 Kentucky. Many breeders are in the same boat.

5 COMMISSION VICE CHAIRPERSON HARRIS: I was under
6 the impression that you'd gone -- that you were basically
7 illiquid. And I thought you still two California farms over
8 \$600,000.

9 MR. POWER: Did your mistress in CTBA sales tell
10 you that?

11 COMMISSION CHAIRPERSON SHAPIRO: Okay, okay, we
12 are not going there. Hold on, hold on, hold on, don't go
13 there. Really, it's a long day, I don't want to even -- I
14 don't even want to go there.

15 MR. POWER: Well, let's tell Mr. Harris that,
16 first.

17 COMMISSION CHAIRPERSON SHAPIRO: No, no.

18 COMMISSION VICE CHAIRPERSON HARRIS: I just
19 wondered if --

20 MR. POWER: Well, I wonder a lot of things about
21 you, too, John.

22 COMMISSION CHAIRPERSON SHAPIRO: No, no. Okay.
23 You know what, I will adjourn the meeting in a nanosecond.
24 I'm not going to do that. Please.

25 MR. POWER: Great.

1 COMMISSION CHAIRPERSON SHAPIRO: Okay.

2 MR. POWER: I would like to keep this on the issue
3 of the breeders' need.

4 COMMISSION CHAIRPERSON SHAPIRO: Let me respond,
5 then. I take to heart very much the struggle and the issues
6 of the breeding industry. I certainly am not an expert in
7 it, as you know, and as I've shared with you.

8 I also have been talking to a host of people to
9 try and both educate myself, and also see what can be done,
10 including prominent breeders, including John Harris, who is
11 a prominent breeder.

12 I have been reassured -- I believe this is an
13 issue that we should be looking at, it should be looked at,
14 but we need to hear it from the parties that are responsible
15 for it, like CTBA, and any other breeders that wish to come
16 forward.

17 And so in my discussions with Mr. Harris, and
18 others, it is my understanding the CTBA is working on some
19 revisions and changes to create better incentives. Things
20 which you advocate, which I think is good.

21 And I would suggest that there be a roundtable
22 discussion of all interested parties, so long as the decorum
23 of the discussion can be maintained at the highest level, so
24 that we can see what can be done to help improve the
25 breeding business in California.

1 MR. POWER: I certainly concur and thank you for
2 that. And I intend to participate.

3 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

4 MR. POWER: And I look forward to more pot shots
5 from --

6 COMMISSION CHAIRPERSON SHAPIRO: No, I don't even
7 want to -- please.

8 COMMISSION VICE CHAIRPERSON HARRIS: It should be
9 an invitational session, I think.

10 COMMISSION CHAIRPERSON SHAPIRO: Okay, Michael,
11 thank you.

12 MR. POWER: That would be --

13 COMMISSION CHAIRPERSON SHAPIRO: Okay, that's
14 enough, I'm not going to go there.

15 Okay, and I don't think -- is there anybody else
16 that wants to --

17 MR. POWER: I have one other comment on a separate
18 issue.

19 COMMISSION CHAIRPERSON SHAPIRO: Okay, we're at
20 three minutes and, honestly, we're trying to make airplanes.

21 MR. POWER: I understand.

22 COMMISSION CHAIRPERSON SHAPIRO: Really quick,
23 really quick.

24 MR. POWER: I believe the Board is under State
25 mandate to adopt a conflict of interest policy, which might

1 affect one or two Board members on here. This was mandated
2 three years ago.

3 COMMISSION CHAIRPERSON SHAPIRO: It was done, just
4 so you know.

5 MR. POWER: It's not in current policy, that I
6 see.

7 COMMISSION CHAIRPERSON SHAPIRO: Okay, we'll ask
8 counsel to look at that, but it's my understanding, Michael,
9 that it was done. Okay, because I was very interested in
10 making sure it was done because of certain claims.

11 So, please, I believe it was done.

12 Okay. With that, is there anybody else who needs
13 to speak under Public Comment?

14 If there is none, I'm going to adjourn the
15 meeting.

16 COMMISSIONER ISRAEL: I'll move for adjournment,
17 how's that.

18 COMMISSION CHAIRPERSON SHAPIRO: I was staring at
19 you for a reason. You have three minutes, and you're the
20 last.

21 MR. DOUGHERTY: I will not take three minutes.

22 Charlie Dougherty, California Thoroughbred
23 Trainers.

24 I'm up here at the request of several or many
25 owners and trainers of Northern California horses.

1 As all of you know, Bay Meadows shut down in mid-
2 May, and there was a provision in the contract with TOC and
3 Bay Meadows to pay out any under-payment of purses that
4 occurred during the Bay Meadows meet.

5 And we had been told that the provision of that
6 contract said that it would be paid by November 8th. And
7 it's many trainers' understanding that those figures could
8 be as much as over a million dollars, and there seems to be
9 some dispute as to the actual amount, and maybe expenses, or
10 whatever.

11 But I'm under a daily barrage of trainers asking
12 when they're going to be getting their money.

13 And I would just ask this Board to try and
14 expedite this matter.

15 COMMISSION CHAIRPERSON SHAPIRO: So, okay, we got
16 it. What's the hold up?

17 COMMISSION VICE CHAIRPERSON HARRIS: Jack wants to
18 say something.

19 MR. LIEBAU: Chairman Shapiro?

20 COMMISSION CHAIRPERSON SHAPIRO: Yes.

21 MR. LIEBAU: I think that there are --

22 COMMISSION CHAIRPERSON SHAPIRO: Jack Liebau.

23 MR. LIEBAU: -- several outstanding issues that
24 Bernie Thurman and Drew Couto are trying to resolve about
25 certain funds that have to be decided who's going to pay

1 what.

2 I would also say that the thing has become even
3 more complicated and I'm surprised that the CTT and Charlie
4 doesn't know about this. But there's a shortfall of the \$40
5 million. There was some talk that that's going to be active
6 as far as 2007 is concerned, as far as the finance
7 department is concerned, the liability that will be owed by
8 the purse account is unknown. The possibly liability for
9 2008 is unknown.

10 If those purses are distributed without some
11 understanding as to who's going to make up the shortfall,
12 there isn't going to be any money.

13 All I can do is assure you that there are
14 discussions going on between TOC, and Bernie Thurman, on
15 behalf of Bay Meadows.

16 I would hope that you could direct Kirk to become
17 involved in that, so that there will be no mistrust, which
18 must exist by reason of Mr. Dougherty coming up and talking
19 about this, because he's not consulted us at all as to why
20 the funds haven't been distributed.

21 COMMISSION CHAIRPERSON SHAPIRO: Okay.

22 MR. LIEBAU: Which is too bad, because it's
23 extended to the meeting.

24 COMMISSION CHAIRPERSON SHAPIRO: Thank you. First
25 of all, our staff is directed to get this resolved at the

1 earliest possible date, and make sure that all the numbers
2 are exchanged and verified.

3 And, unfortunately, I certainly hope there's not
4 any mistrust.

5 I'm assuming all of the parties, including Mr.
6 Liebau in the back, will agree that they would like to wrap
7 this up at the earliest possible date, in the most fair
8 manner. Correct, Mr. Liebau?

9 MR. LIEBAU: Absolutely.

10 COMMISSION CHAIRPERSON SHAPIRO: He said
11 absolutely.

12 Correct, Mr. Couto?

13 MR. COUTO: Absolutely.

14 COMMISSION CHAIRPERSON SHAPIRO: Absolutely. I
15 believe we are now --

16 COMMISSIONER ISRAEL: Can I move for adjournment?

17 COMMISSION CHAIRPERSON SHAPIRO: Well, hold on, we
18 have -- the Public Session is adjourned. We have to go,
19 apparently --

20 STAFF COUNSEL MILLER: Just very short.

21 COMMISSION CHAIRPERSON SHAPIRO: Okay, do we
22 actually have to go somewhere?

23 COMMISSION VICE CHAIRPERSON HARRIS: No, I think
24 just get rid of these guys.

25 COMMISSION CHAIRPERSON SHAPIRO: Well, hold on.

1 We have a bit of a luggage problem.

2 COMMISSIONER ISRAEL: Yeah, I'll go get our bags.

3 COMMISSION CHAIRPERSON SHAPIRO: Okay.

4 COMMISSIONER ISRAEL: How's that?

5 (Thereupon the California Horse Racing

6 Board Regular Meeting resolved into

7 Closed Executive Session at 3:45 p.m.

8 and was thereafter adjourned.)

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CERTIFICATE OF REPORTER

I, TROY A. RAY, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing Meeting of the California Horse Racing Board; that thereafter the recording was transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, or in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of November, 2008.

Troy A. Ray

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